

# FINANCIAL SECTION

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Image provided by the Indiana Office of Tourism Development



**Hillforest Mansion**  
Dearborn County~ Aurora, Indiana





# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT AUDITOR'S REPORT

TO: The Honorable Mitchell E. Daniels, Jr.  
The Members of the General Assembly, and  
The Citizens of the State of Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana, as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the local government investment pool which represent 100% of the assets and revenues of the investment trust fund. We also did not audit certain component units of the State, as discussed in Note I(A), which represent 31.4% of the assets of the colleges and universities and 99.6% of the assets and 98.8% of the revenues of the proprietary discretely presented component units. The financial statements of the investment trust fund and these component units were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to those units, are based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Indiana as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I(A) to the financial statements, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association and the Indiana Political Subdivision Risk Management Commission, discretely presented component units, report on a December 31, 2008, year-end. As discussed in Note IV(G) to the financial statements, the State of Indiana has restated certain beginning fund balances and net assets.

The Management Discussion and Analysis and Schedules of Funding Progress for Employee Retirement Systems and Plans and Other Postemployment Benefit Plans, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Indiana's basic financial statements. The introductory section, combining and individual nonmajor and discretely presented component unit fund information, budgetary comparison information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor and discretely presented component unit financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

*State Board of Accounts*

December 23, 2009

# MANAGEMENT'S DISCUSSION AND ANALYSIS



## STATE OF INDIANA

### Management's Discussion and Analysis

#### June 30, 2009

The following discussion and analysis of the State of Indiana's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the State's financial statements, which follow this section. Because of prior period adjustments and reclassifications as described in Note IV(G) in the Notes to the Financial Statements, fiscal year (FY) 2008 numbers have been restated.

#### Financial Highlights

- For FY 2009, on a government-wide basis, the assets of the State of Indiana exceeded its liabilities by \$16.9 billion. This compares with \$17.9 billion for FY 2008, as restated. Of this amount, \$5.4 billion may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.5 billion, or 13.8% of the total general fund expenditures.
- On a government-wide basis for the primary government, the State incurred expenses net of program revenue of \$15.6 billion, which are offset by general revenues totaling \$14.5 billion, giving a decrease in net assets of \$1.1 billion.
- According to a Moody's Economy.com report in November, 2009, Indiana was one of only eleven states in recovery from the recession. Another index developed by the Federal Reserve Bank of Philadelphia found that Indiana was one of only seven states faring better economically in September 2009 than three months before.
- General revenue for the primary government decreased by \$558.0 million, or 3.7%, from FY 2008. The driving force behind this decrease is the decline in income taxes revenue as a result of the increase to the State's unemployment rate.
- The State of Indiana achieved its fourth consecutive balanced budget for the fiscal year ended June 30, 2009 with revenue exceeding expenditures by \$28.8 million. Another balanced budget was achieved through restraint and prudent fiscal management by state agencies, and through the use of American Recovery and Reinvestment Act (ARRA) stimulus funds.
- Indiana's credit rating remained at AAA, the highest rating assigned by the independent credit rating agency Standard & Poor's Ratings Service (S&P). The upgrade during 2008 from AA+ "reflects the state's continued strong management that has led to the property tax reform that has realigned state and local spending and is not expected to impact the state's long-term financial performance. As well, the state's commitment to attract diverse jobs through its economic development efforts has translated into a shift away from traditional manufacturing employment," said the credit agency. The report said the administration has made significant financial management changes and strengthened budgeting practices. S&P cited four areas in issuing the AAA credit rating: stable and diversifying economic base despite continued manufacturing concentration; a conservative biennial budget that will add to the fund balance by the end of the biennium; property tax reform that has clarified the state's financial responsibilities; and, low overall debt levels.

**Key Economic Indicators**

|                                    | <u>Dec. 31, 2008</u> | <u>Dec. 31, 2007</u> | <u>% Change</u> |
|------------------------------------|----------------------|----------------------|-----------------|
| Total Employed Labor Force         | 2,949,605            | 3,057,742            | -3.5%           |
| Total Goods and Service Employment | 2,920,900            | 3,015,700            | -3.1%           |
| Service-Providing Employment       | 2,291,800            | 2,314,700            | -1.0%           |
| Goods-Producing Employment         | 629,100              | 701,000              | -10.3%          |
| Unemployment Rate                  | 8.1%                 | 4.5%                 | 80.0%           |
| Median Household Income            | 47,966               | 47,448               | 1.1%            |

Sources: Indiana Department of Workforce Development, Bureau of Labor Statistics, and U.S. Census Bureau.

Salaries and benefits for State employees represent approximately 8.1% of governmental fund expenditures. The following table shows a ten year history of the count of full time State employees.

**Full Time State Employees Paid  
Through The Auditor of State's Office**

|      | <b>Governor's<br/>Authority</b> | <b>Judiciary</b> | <b>Other<br/>Elected<br/>Officials</b> | <b>On<br/>Disability<br/>Leave - In<br/>Pay Status</b> | <b>On<br/>Disability<br/>Leave - Not<br/>in Pay<br/>Status</b> | <b><u>Total</u></b> |
|------|---------------------------------|------------------|----------------------------------------|--------------------------------------------------------|----------------------------------------------------------------|---------------------|
| 2009 | 31,254                          | 835              | 1,093                                  | 624                                                    | 358                                                            | 34,164              |
| 2008 | 32,606                          | 811              | 1,139                                  | 727                                                    | 339                                                            | 35,622              |
| 2007 | 31,524                          | 772              | 1,123                                  | 789                                                    | 313                                                            | 34,521              |
| 2006 | 31,822                          | 753              | 1,102                                  | 941                                                    | 279                                                            | 34,897              |
| 2005 | 34,673                          | 743              | 1,058                                  | 1,077                                                  | 269                                                            | 37,820              |
| 2004 | 35,794                          | 756              | 1,020                                  | 1,012                                                  | 266                                                            | 38,848              |
| 2003 | 34,909                          | 741              | 1,003                                  | 988                                                    | 248                                                            | 37,889              |
| 2002 | 35,474                          | 731              | 1,017                                  | 1,078                                                  | 252                                                            | 38,552              |
| 2001 | 36,376                          | 728              | 1,002                                  | 969                                                    | 238                                                            | 39,313              |
| 2000 | 35,516                          | 713              | 983                                    | 988                                                    | 3                                                              | 38,203              |

Note:

\* Tracking of employees on disability leave in pay status versus non-pay status began in earnest during fiscal year 2001.

For more information on people paid through the Auditor of State's Office, please read the Statistical Section.



## Overview of the Financial Statements

This Financial Section consists of four parts: management's discussion and analysis (this part), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the State. The first two statements are government-wide financial statements that provide both long-term and short-term information about the State's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the State government, reporting the State's operations in more detail than the government-wide statements.

- The governmental fund statements tell how general government services such as public safety, education, and welfare were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Unemployment Compensation Fund.
- Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as the retirement plan for the State's employees.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* and *other supplementary information* that further explain and support the information in the financial statements.

### Government-wide Financial Statements

The government-wide financial statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the State's net assets and how they have changed. Net assets, the difference between the State's assets and liabilities, is one way to measure the State's financial health, or position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State of Indiana is improving or deteriorating. To assess the overall health of the State,

additional non-financial factors should be considered, such as changes in the State's tax base, the condition of the State's roads and the State's student population. The government-wide financial statements of the State are divided into three categories:

- **Governmental activities.** Most of the State's basic services are included here, such as the State's roads and bridges, and health and environmental programs. State sales and income taxes and federal grants finance most of these activities.
- **Business-type activities.** The State provides goods and services through these activities that are financed or recovered primarily through fees and user charges. The Unemployment Compensation Fund, the Inns and Concessions Fund, and the Indiana Residual Malpractice Insurance Authority are included here.
- **Discretely Presented Component Units.** These are legally separate discretely presented entities for which the State is financially accountable. These include, among others, the Indiana Finance Authority, the Indiana Bond Bank, the Board for Depositories, the Indiana Housing and Community Development Authority, and colleges and universities that receive State funding.

### Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds, not the State as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending for particular purposes. The State of Indiana uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The State has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

1. **Governmental funds.** Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

*Relationship and Reconciliation.* Because the information provided in the governmental funds



statements does not encompass the additional long-term focus of the government-wide statements, reconciliation pages are provided. On the page following each governmental fund's financial statement, these reconciliations explain the differences between the government-wide and the fund financial statement. Government-wide statements use full accrual accounting. Revenues are recognized when they are earned and expenses are recognized as soon as the liability is incurred, regardless of the timing of related cash inflows and outflows. Governmental fund financial statements use the modified accrual basis of accounting. Revenues are recognized when earned so long as they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. Debt service payments and a number of specific accrued liabilities are recognized as expenditures when payment is due because that is when they are normally liquidated with expendable available financial resources.

Non-current assets such as infrastructure, land, and property, plant and equipment appear on the government-wide statements but not on the governmental fund statements where they are expensed as acquired rather than capitalized. Non-current liabilities such as revenue bonds payable and net pension obligations also appear on the government-wide statements but not on the fund statements. Internal service funds are included as part of the governmental activities in the government-wide statements but not the

governmental fund financial statements because they provide services to the governmental funds.

2. **Proprietary funds.** Services for which the State charges customers a fee are generally reported in proprietary funds. These funds use the economic resources measurement focus and the accrual basis of accounting. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the State's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows. The State uses internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the State's other programs and activities. An example would be the State Employee Health Insurance Fund.
3. **Fiduciary funds.** The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

## Financial Analysis of the State as a Whole

### Net Assets

The following is condensed from the Statement of Net Assets:

| <b>State of Indiana</b><br><b>Condensed Schedule of Net Assets</b><br>(in millions of dollars) |                                |                    |                                 |                 |                                 |                    |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------|---------------------------------|-----------------|---------------------------------|--------------------|
| <b>Primary Government</b>                                                                      |                                |                    |                                 |                 |                                 |                    |
|                                                                                                | <b>Governmental Activities</b> |                    | <b>Business-type Activities</b> |                 | <b>Total Primary Government</b> |                    |
|                                                                                                | <u>2009</u>                    | <u>2008</u>        | <u>2009</u>                     | <u>2008</u>     | <u>2009</u>                     | <u>2008</u>        |
| Current and other assets                                                                       | \$ 11,490.2                    | \$ 12,994.8        | \$ 173.3                        | \$ 369.6        | \$ 11,663.5                     | \$ 13,364.4        |
| Capital assets                                                                                 | 11,434.8                       | 10,702.9           | 14.5                            | 13.7            | 11,449.3                        | 10,716.6           |
| <b>Total assets</b>                                                                            | <u>22,925.0</u>                | <u>23,697.7</u>    | <u>187.8</u>                    | <u>383.3</u>    | <u>23,112.8</u>                 | <u>24,081.0</u>    |
| Current liabilities                                                                            | 2,787.5                        | 3,513.1            | 915.7                           | 10.8            | 3,703.2                         | 3,523.9            |
| Long-term liabilities                                                                          | 2,491.4                        | 2,570.1            | 42.8                            | 47.2            | 2,534.2                         | 2,617.3            |
| <b>Total liabilities</b>                                                                       | <u>5,278.9</u>                 | <u>6,083.2</u>     | <u>958.5</u>                    | <u>58.0</u>     | <u>6,237.4</u>                  | <u>6,141.2</u>     |
| Net assets:                                                                                    |                                |                    |                                 |                 |                                 |                    |
| Invested in capital assets,<br>net of related debt                                             | 10,148.7                       | 9,381.3            | 14.5                            | 13.7            | 10,163.2                        | 9,395.0            |
| Restricted                                                                                     | 1,323.7                        | 719.8              | -                               | 265.0           | 1,323.7                         | 984.8              |
| Unrestricted                                                                                   | 6,173.7                        | 7,513.4            | (785.2)                         | 46.6            | 5,388.5                         | 7,560.0            |
| <b>Total net assets</b>                                                                        | <u>\$ 17,646.1</u>             | <u>\$ 17,614.5</u> | <u>\$ (770.7)</u>               | <u>\$ 325.3</u> | <u>\$ 16,875.4</u>              | <u>\$ 17,939.8</u> |

At the end of the current fiscal year, net assets for governmental activities were \$17.6 billion as compared to \$17.6 billion in 2008. There was an increase of \$31.6 million.

Current and other assets decreased by \$1.5 billion with a decrease in securities lending collateral making up the bulk of this. Capital assets increased by \$731.9 million. The principal reason for the increase in capital assets was the increase in land, infrastructure, and construction in progress at the Indiana Department of Transportation due to the State's Major Moves initiative.

Total liabilities decreased by \$804.3 million. This decrease is explained principally from a decrease in securities on loan as of June 30, 2009. A liability that increased to offset the total decrease was from the

startup of recognizing a GASB 49 pollution remediation liability of \$66.7 million.

The State began recognizing the Teachers' Retirement Fund's net pension obligation for their pre-1996 retirement account as a liability this fiscal year which at \$945.0 million is a significant portion of total liabilities.

The State maintains a Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue of the State's General Fund during periods of economic recession. In other words, in good times the balance in the fund should increase, and in bad times, the money can be used to offset deficits. The fund had available assets of \$365.2 million or 5.9% of the total governmental activities unrestricted net assets.

## Changes in Net Assets

The following is condensed from the Statement of Activities:

| State of Indiana<br>Condensed Schedule of Change in Net Assets<br>(in millions of dollars) |                         |                    |                          |                 |                          |                    |
|--------------------------------------------------------------------------------------------|-------------------------|--------------------|--------------------------|-----------------|--------------------------|--------------------|
|                                                                                            | Primary Government      |                    |                          |                 |                          |                    |
|                                                                                            | Governmental Activities |                    | Business-type Activities |                 | Total Primary Government |                    |
|                                                                                            | 2009                    | 2008               | 2009                     | 2008            | 2009                     | 2008               |
| <b>Revenues</b>                                                                            |                         |                    |                          |                 |                          |                    |
| Program revenues:                                                                          |                         |                    |                          |                 |                          |                    |
| Charges for services                                                                       | \$ 1,363.8              | \$ 1,681.7         | \$ 1,251.9               | \$ 682.4        | \$ 2,615.7               | \$ 2,364.1         |
| Operating grants and contributions                                                         | 10,493.8                | 9,372.8            | 10.5                     | 134.6           | 10,504.3                 | 9,507.4            |
| Capital grants and contributions                                                           | 21.4                    | 26.9               | -                        | -               | 21.4                     | 26.9               |
| General revenues:                                                                          |                         |                    |                          |                 |                          |                    |
| Individual and corporate income taxes                                                      | 5,135.4                 | 5,812.1            | -                        | -               | 5,135.4                  | 5,812.1            |
| Sales taxes                                                                                | 6,146.4                 | 5,869.1            | -                        | -               | 6,146.4                  | 5,869.1            |
| Other                                                                                      | 3,220.6                 | 3,363.8            | 6.3                      | 21.6            | 3,226.9                  | 3,385.4            |
| <b>Total revenues</b>                                                                      | <b>26,381.4</b>         | <b>26,126.4</b>    | <b>1,268.7</b>           | <b>838.6</b>    | <b>27,650.1</b>          | <b>26,965.0</b>    |
| <b>Program Expense</b>                                                                     |                         |                    |                          |                 |                          |                    |
| General government                                                                         | 4,321.6                 | 5,163.8            | -                        | -               | 4,321.6                  | 5,163.8            |
| Public safety                                                                              | 1,527.9                 | 1,381.7            | -                        | -               | 1,527.9                  | 1,381.7            |
| Health                                                                                     | 371.2                   | 387.3              | -                        | -               | 371.2                    | 387.3              |
| Welfare                                                                                    | 9,150.2                 | 9,201.1            | -                        | -               | 9,150.2                  | 9,201.1            |
| Conservation, culture and development                                                      | 722.5                   | 581.6              | -                        | -               | 722.5                    | 581.6              |
| Education                                                                                  | 8,929.1                 | 7,367.2            | -                        | -               | 8,929.1                  | 7,367.2            |
| Transportation                                                                             | 1,324.5                 | 1,297.6            | -                        | -               | 1,324.5                  | 1,297.6            |
| Interest expense                                                                           | 0.7                     | 0.7                | -                        | -               | 0.7                      | 0.7                |
| Unemployment compensation fund                                                             | -                       | -                  | 2,341.3                  | 846.0           | 2,341.3                  | 846.0              |
| Other                                                                                      | -                       | -                  | 25.5                     | 24.5            | 25.5                     | 24.5               |
| <b>Total expenses</b>                                                                      | <b>26,347.7</b>         | <b>25,381.0</b>    | <b>2,366.8</b>           | <b>870.5</b>    | <b>28,714.5</b>          | <b>26,251.5</b>    |
| Excess (deficiency) before transfers                                                       | 33.7                    | 745.4              | (1,098.1)                | (31.9)          | (1,064.4)                | 713.5              |
| Transfers                                                                                  | (2.1)                   | (3.7)              | 2.1                      | 3.7             | -                        | -                  |
| <b>Change in net assets</b>                                                                | <b>31.6</b>             | <b>741.7</b>       | <b>(1,096.0)</b>         | <b>(28.2)</b>   | <b>(1,064.4)</b>         | <b>713.5</b>       |
| Beginning net assets, as restated                                                          | 17,614.5                | 16,872.8           | 325.3                    | 353.5           | 17,939.8                 | 17,226.3           |
| Ending net assets                                                                          | <b>\$ 17,646.1</b>      | <b>\$ 17,614.5</b> | <b>\$ (770.7)</b>        | <b>\$ 325.3</b> | <b>\$ 16,875.4</b>       | <b>\$ 17,939.8</b> |

## Governmental Activities

Program expenses exceeded program revenues by \$14.5 billion. General revenues and transfers were \$14.5 billion. The increase in net assets was \$31.6 million, which is 0.2% of total revenues.

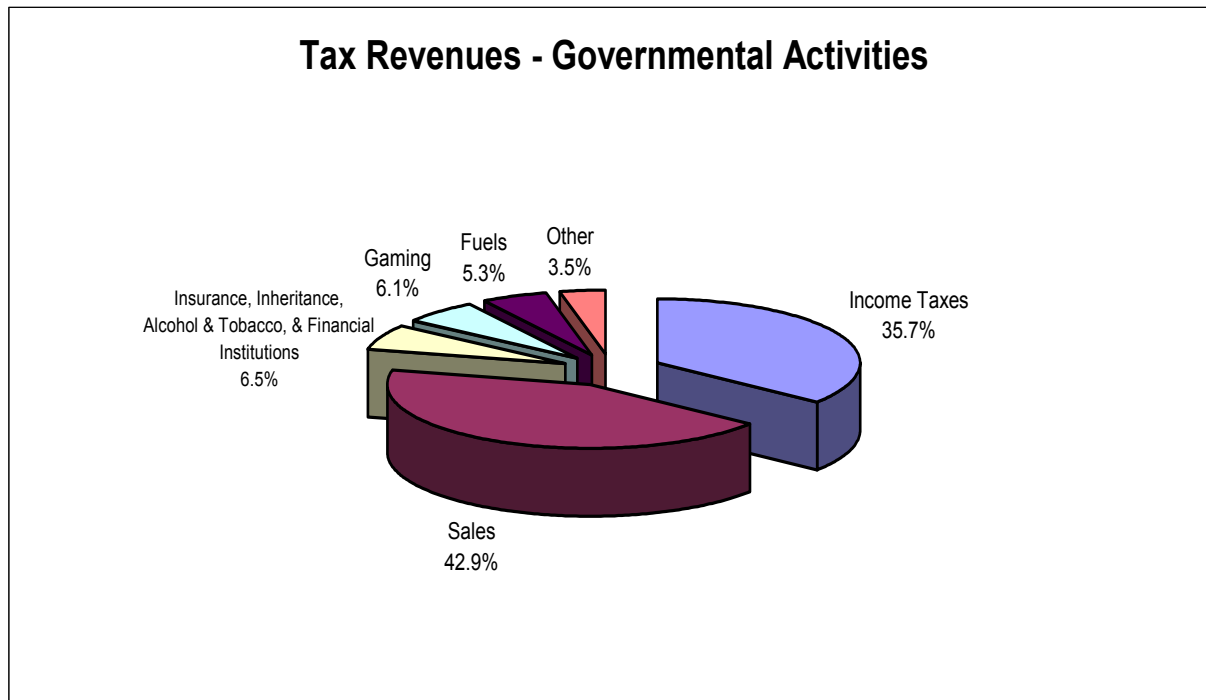
The decrease to excess (deficiency) before transfers of \$711.7 million was brought about by an increase of total revenues of \$255.0 million offset by an increase in total expenses of \$966.7 million.

Revenues increased mainly as a result of the increase in operating grants and contributions under program revenues. This is attributed to the revenues received

from the American Recovery and Reinvestment Act of 2009 (ARRA of 2009 Fund), which is a new major fund for the year.

The increase in expenses was caused by the increase in education spending of \$1.6 billion. General Fund expenses for education increased by \$938.7 million, which along with the \$544.0 million in ARRA Fund expenses for education were the critical factors for the increase in Education expense. The increase in General Fund education expenses was due to the increase in state support for schools.

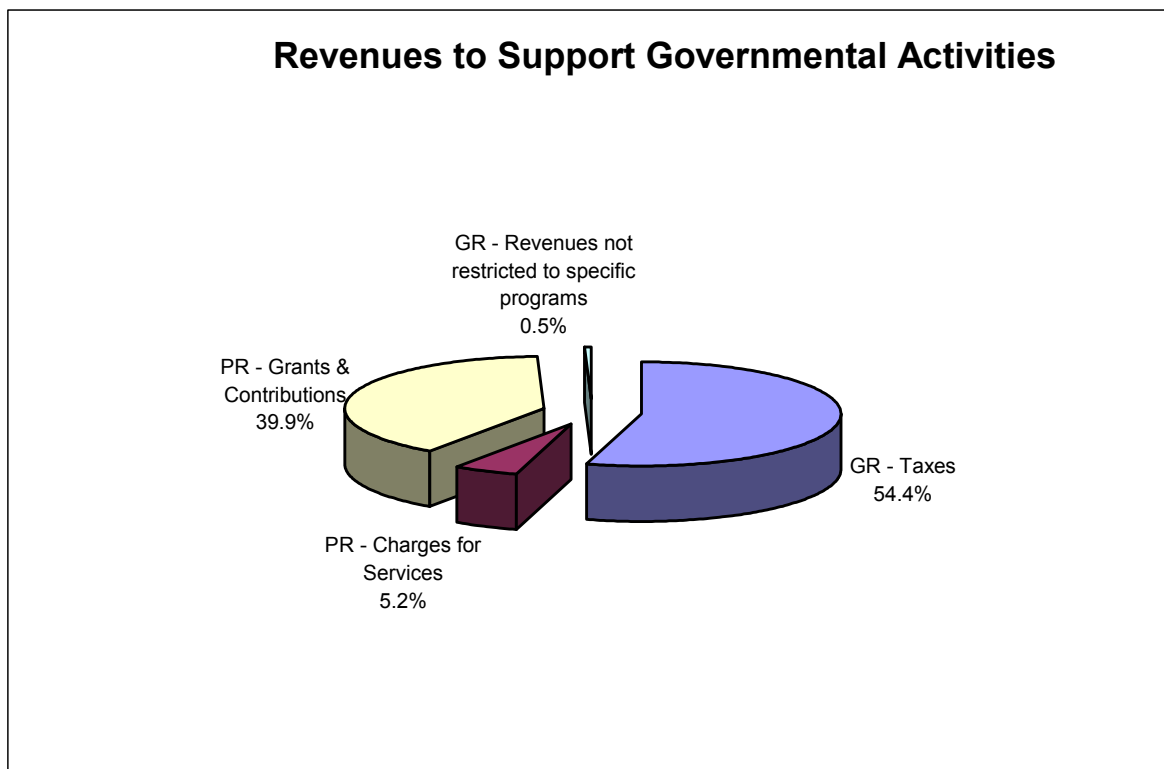
Tax revenues for governmental activities were broken down as follows:



Tax revenues of \$14.4 billion represent 54.5% of total revenues for governmental activities. This compares to \$14.8 billion in FY 2008 or 56.3% of total revenues in FY 2008. Program revenues accounted for \$11.8 billion or 45.0% of total revenues. In FY 2008, program revenues accounted for \$11.1 billion or 42.4% of total revenues. General revenues other than tax revenues

were \$132.4 million or 0.5% of total revenues. Of this \$91.3 million was investment earnings. This compares to 2008, when general revenues other than taxes were \$315.6 million or 1.2% of total revenues and \$239.4 million was investment earnings. Investment earnings decreased by \$148.1 million from FY 2008 to FY 2009 or 61.8% due to the decrease in interest rates.

Total revenues for governmental activities were broken down as follows:



PR = program revenues  
GR = general revenues

Total revenues were 100.1% of expenses which was a decrease from 102.8% in FY 2008. Total revenues grew 0.98% from \$26.1 billion in FY 2008 to \$26.4 billion in FY 2009. Expenses grew 3.8% from \$25.4 billion in FY 2008 to \$26.3 billion in FY 2009.

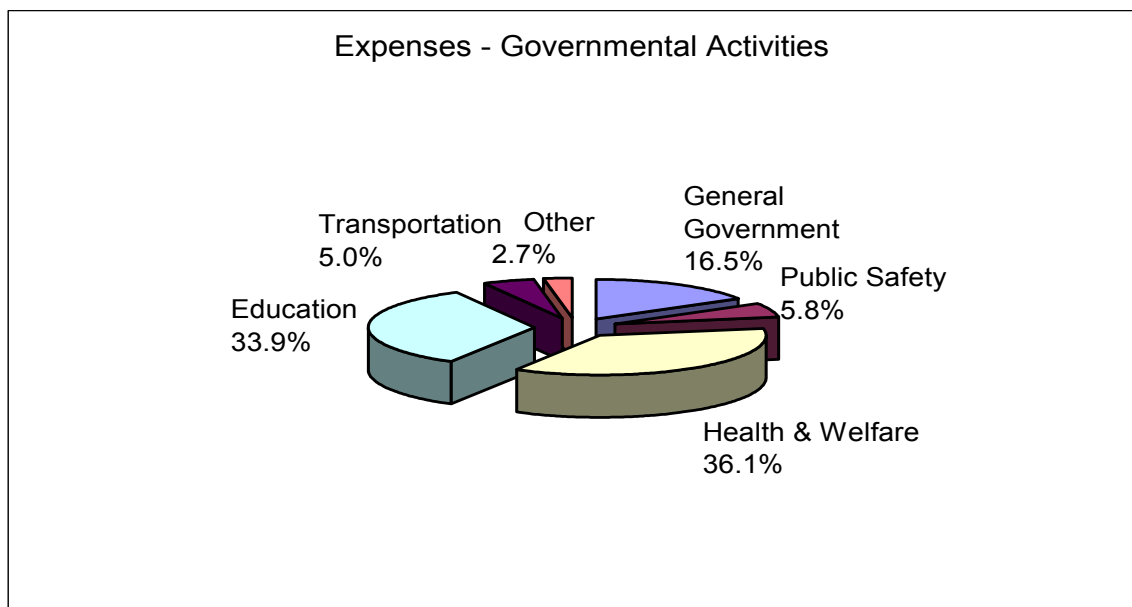
The largest portion of the State's expenses is Health and Welfare, which is \$9.5 billion, or 36.1% of total expenses. This compares with \$9.6 billion, or 37.8% of total expenses in FY 2008. The change in expenses was a decrease of \$67 million or -0.7%. Expenses remained stable due in large part to the federal stimulus fund expenditures. Some of the major expenses were Medicaid assistance including administration, \$6.1 billion and the federal food stamp program, \$1.1 billion.

Education comprises 33.9%, or \$8.9 billion, of the State's expenses. In FY 2008, Education accounted for 29.0%, or \$7.4 billion, of expenses. All but \$1.5 billion of this is funded from general revenues. Some of the

major expenses were tuition support, \$4.6 billion, State colleges and universities, \$1.5 billion, Teachers' Retirement Pension, \$602.5 million, \$544.0 million for K-12 and higher education from the ARRA of 2009 Fund, and the national school lunch program, \$227.0 million. Education expenditures increased significantly as compared to the prior year as a result of increases in General Fund and ARRA of 2009 Fund expenditures.

\$4.3 billion, or 16.4% of expenses, was spent for General Government. General Government comprised \$5.2 billion or 20.5% of expenses in FY 2008. General Government includes local distributions and money for State administration and those functions that serve the State as a whole. The exercise of restraint and prudent fiscal management in tough economic times were principal reasons that resulted in the decrease of General Government expenses.

Total expenses for governmental activities were broken down as follows:



## Business-type Activities

Business-type activities represent 4.6% of the Primary Government's revenues and 8.2% of the expenses. The Unemployment Compensation Fund accounts for 97.8% of business-type activities' operating revenues and 98.9% of operating expenses. The change in net assets for business-type activities was a decline of \$1.1 billion.

The Unemployment Compensation Fund collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals

and the fund covers general and administrative expenses. Benefits and administrative expenses paid exceeded revenue in the fund by \$1.1 billion. This compares to FY 2008 when this fund's expenses exceeded revenue by \$41.1 million. Employer contributions into the fund increased by \$570.0 million, from \$653.8 million in FY 2008 to \$1,223.7 million in FY 2009. The decrease in net assets is due to the increase in benefits paid because of more Hoosiers receiving unemployment benefits.

| <b>Net Cost of Primary Government<br/>(in millions)</b> |                    |                    |             |
|---------------------------------------------------------|--------------------|--------------------|-------------|
|                                                         | June 30, 2009      | June 30, 2008      | % change    |
| <b>Governmental Activities:</b>                         |                    |                    |             |
| General government                                      | \$ 3,258.0         | \$ 3,912.4         | -16.7%      |
| Public safety                                           | 799.7              | 711.1              | 12.5%       |
| Health                                                  | 133.2              | 141.7              | -6.0%       |
| Welfare                                                 | 2,520.7            | 2,539.7            | -0.7%       |
| Conservation, culture, and development                  | 263.6              | 162.4              | 62.3%       |
| Education                                               | 7,402.2            | 6,513.2            | 13.6%       |
| Transportation                                          | 90.6               | 318.4              | -71.5%      |
| Unallocated interest expense                            | 0.7                | 0.7                | 0.0%        |
| <b>Business-type Activities:</b>                        |                    |                    |             |
| Unemployment Compensation Fund                          | 1,107.0            | 57.6               | 1821.9%     |
| Malpractice Insurance Authority                         | (4.3)              | (5.5)              | -21.8%      |
| Inns and Concessions                                    | 1.7                | 1.4                | 21.4%       |
| <b>TOTAL</b>                                            | <b>\$ 15,573.1</b> | <b>\$ 14,353.1</b> | <b>8.5%</b> |

This schedule shows the net expense (revenue) attributable to each function of government. Each function of Indiana government is either self-supporting (a negative number) or requires additional general revenues to cover expenses (a positive number).

## Financial Analysis of the State's Funds

The following is an analysis of the State's major governmental funds. Please note that transfers in and transfers out for these funds are explained in much greater detail in note IV(B) in the Notes to the Financial Statements.

### General Fund

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund. The fund balance of the General Fund at June 30, 2009 was \$1.5 billion, which is 50.5% of assets. This compares to a fund balance at June 30, 2008 of \$2.8 billion, which was 52.8% of assets. This indicates that the State's financial position in the General Fund decreased from the prior year by \$1.3 billion. The General Fund surplus balance no longer includes a reserve for tuition support because the State Tuition Reserve Fund, a non-major special revenue fund, was established per IC 4-12-1-15.7 to fund or meet revenue shortfalls for tuition support distributions under IC 20-43. The fund balance of \$1.5 billion is composed of reserves of \$73.7 million and unreserved of \$1.5 billion. Major reserves are:

- Encumbrances of \$33.0 million, which is money set aside to pay for future obligations.
- Loans of \$36.0 million, which consists of \$22.4 million in loans to entities outside the primary government and \$13.6 million in interfund loans.

The State calculates a cash basis surplus balance monthly. The year-end surplus balance is combined with estimated revenue forecasts to assess and determine the State's budget. This surplus balance is contained in the General Fund. As of June 30, 2009, the surplus balance was \$477.7 million. The balance decreased by \$935.4 million from the June 30, 2008 balance of \$1,413.1 million. This surplus balance is composed of:

- \$365.2 million rainy day fund, which is to assist in stabilizing revenue during periods of economic recession and is part of designated unreserved.
- \$54.9 million, which represents the excess of revenues over expenditures.
- \$57.6 million which represents the reserve for Medicaid.

The \$54.9 million is on a cash basis. Accrual adjustments of \$527.0 million reconcile this to the General Fund unreserved, undesignated fund balance on a GAAP basis of \$581.9 million. The unreserved, undesignated fund balance of \$581.9 million plus the

unreserved fund balance designated for appropriations of \$449.8 million, plus the unreserved fund balance designated for allotments of \$427.9 million give the total unreserved fund balance of \$1,459.6 million. This ties to the balance sheet for the General Fund. For more information on designations of unreserved fund balance, see the chart in the Notes to the Financial Statements III(B).

The General Fund's revenues increased 13.7%, or \$1.5 billion, from FY 2008, because sales tax revenues are now by law being deposited into the General Fund instead of the Property Tax Replacement Fund per P.L. 146-2008. Sales tax revenues into the General Fund increased \$2.3 billion, or 64.5% due to this switch in funds for receipting sales tax revenues. Income tax revenues decreased by \$693.5 million, or 12.1%, from FY 2008, which is explained by the State's increased unemployment rate.

General Fund expenditures increased \$1.6 billion, or 17.8%, from FY2008. The increase was due to an increase in general government expenditures of \$617.1 million and education expenditures of \$938.7 million. General government expenditures increased mainly because of the increase in property tax relief to counties. Education expenditures increased because of the increase in state funding in support of schools.

The General Fund had transfers in of \$2.6 billion compared to \$2.7 billion in FY 2008. Transfers out were \$5.7 billion compared to \$4.2 billion in FY 2008. More detail on these transfers can be found in the Notes to the Financial Statements IV(B).

Overall, the declined position of the General Fund in the amount of \$1.3 billion can be attributed to the decrease in income tax revenue of .7 billion and the increase in general government and education expenditures.

### Motor Vehicle Highway Fund

The Motor Vehicle Highway Fund receives portions of gas and special fuel tax, motor vehicle registration fees, the motor carrier surtax, federal revenue, and other revenues. These are distributed to cities and towns, counties and the State Department of Transportation and are used to help fund the State Police, the Bureau of Motor Vehicles, the Department of Revenue and others. The fund collected \$445.1 million in taxes vs. \$485.7 million in FY 2008. Current service charges, including vehicle licenses, decreased from \$135.0 million to \$122.0 million. This decrease continues to be the result of reduced driving by Indiana citizens due to high gas prices and from the credit given to citizens for online vehicle registrations. The fund distributed \$272.4



million to local units of government, \$212.4 million for public safety, and transferred \$327.2 million to other funds, which include the Department of Transportation and the Underground Petroleum Storage Tank Excess Liability Fund. These amounts compare to FY 2008 distributions of \$369.4 million to local units of government, \$230.7 million for public safety, and transfers of \$354.0 million to other funds. The change in fund balance from FY 2008 to FY 2009 was an increase of \$2.4 million.

### **Medicaid Assistance Fund**

Medicaid is an insurance program for low-income people. It is jointly funded by the Federal government and the State. The Medicaid Assistance Fund received \$3.6 billion in Federal revenue as compared to \$4.1 billion in FY 2008. State funding comes through the \$1.8 billion of transfers in which was a decrease of \$105.4 million from FY 2008. Transfers out were \$329.4 million compared with \$151.9 million in FY 2008. The Fund distributed \$5.4 billion in Medicaid assistance as compared to \$6.5 billion in FY 2008. This decrease was due for the most part to new and increased funding and expenditures for Medicaid assistance under the ARRA of 2009 Fund. The change in fund balance decreased by \$15.9 million from FY 2008 to FY 2009.

### **Major Moves Construction Fund**

The Major Moves Construction Fund was created in fiscal year 2006 as part of the leasing of the Indiana Toll Road to Cintra-Mcquarie, a private company. This fund distributes money received from the Toll Road lease for new constructions and major preservation of highways and bridges throughout Indiana.

The Major Moves Construction Fund transferred \$399.0 million to the State Highway Department Fund. The fund received \$101.9 million in investment income and distributed \$10.0 million to the Northwest Indiana Regional Development Authority. The change in fund balance from FY 2008 to FY 2009 was a decline of \$311.7 million.

### **State Highway Department Fund**

The State Highway Department Fund was created to fund the construction, reconstruction, operation, maintenance, and control of State highways and tollways. The fund collected \$970.8 million in grants and received \$839.8 million in transfers in, which are taxes and revenues collected in other funds, compared with \$668.0 million and \$591.1 million in FY 2008, respectively. The fund expended \$1.9 billion during the year, compared with \$1.7 billion in FY 2008. The fund balance increased by \$30.7 million from FY 2008 to FY 2009. This increase is principally from the increase in

federal grants revenue.

### **Property Tax Replacement Fund**

The Property Tax Replacement Fund receives as transfers from other funds, income and gaming taxes. These are dedicated to tuition support and to property tax replacement distribution to local units of government. This is to relieve the property tax burden to the citizens. In FY 2009, the fund had zero revenues as compared to \$2.1 billion in sales tax revenues for FY 2008. This decrease was due to the reallocation of sales tax revenues from this fund to the General Fund per legislation.

The fund received transfers in of \$1.8 billion from the General Fund. Of this \$1.8 billion, \$1.5 billion was transferred pursuant to P.L. 146-2008, Section 852, effective January 1, 2009 and \$279.8 million was received in individual income taxes. This compares to FY 2008 tax transfers of \$1.2 billion from the General Fund. The fund received transfers in of \$188.6 million from the State Gaming Fund, as compared to \$582.9 million in FY 2008. This decrease is because starting in 2009 State Gaming Fund revenues are distributed instead to the General Fund.

The fund has a total transfer out for the year of \$999.4 million. Out of this amount, the fund transferred out \$848.2 million to the State Tuition Reserve Fund for tuition support per legislation. \$121.4 million was transferred to the Build Indiana Fund, in contrast to FY 2008 when \$80.4 million was transferred. The change in fund balance from FY 2008 to FY 2009 was a decline of \$119.2 million to zero out the balance of this fund as the use of this fund was terminated as of June 30, 2009 per P.L. 146-2008, Section 813.

### **ARRA of 2009 Fund**

The ARRA of 2009 Fund was created this fiscal year upon the American Recovery and Reinvestment Act of 2009 becoming law on February 17, 2009. The hope for ARRA of 2009 Fund spending is to stimulate the economy and create jobs. The exact amount of funding Indiana will receive is unknown, but we expect to receive approximately \$4.3 billion in increases to existing federal programs. Some of the areas with the largest projected increases of funding include Medicaid, Education, Infrastructure, Nutrition, and Weatherization.

The ARRA of 2009 Fund received \$996.6 million in federal grants revenues of which \$985.0 was expended. The largest expenditures were increases in spending for Education of \$544.0 million and for Welfare of \$425.6 million. The Welfare expenditures were for the Medicaid program. The Education expenditures primarily were for the State's fiscal stabilization fund which is earmarked for K-12 Education and Higher

Education.

The fund balance at the end of the fiscal year was \$11.6 million.

## General Fund Budgetary Highlights

Actual State General Fund revenue collections, normalized for the impact of House Enrolled Act 1001 (2008), decreased by \$962.9 million or 7.4% in FY 2009. The budget enacted in May 2007 appropriated 3.4% more General Fund dollars for FY 2009 over FY 2008. Administrative actions taken by Governor Daniels in addition to the use of American Recovery and Reinvestment Act (ARRA) funds reduced actual expenditure growth (general fund only) to -0.9% in FY 2009 over FY 2008, enabling the State to close the books with a balanced budget for the fourth consecutive year. Expenditure growth has averaged less than 2.4% over the past five years in comparison to growth of nearly 5.9% between FY 1996 and FY 2004. Final budgeted expenditures for the General Fund were less

than the originally budgeted expenditures due to the Governor's actions to control spending.

At year-end, the State had \$1.4 billion in reserves. The reserves consist of \$57.6 million in Medicaid Reserves, \$941.7 million in Tuition Support Reserves, \$365.2 million in the Rainy Day Fund, and \$54.9 million in General Fund working balance. The reserves were \$1.3 billion after accounting for a \$90 million liability from property tax replacement and homestead credits. At the close of FY 2009, all payment delays had been repaid.

## Capital Asset and Debt Administration

### Capital Assets

Capital assets were \$11.4 billion, which was 49.9% of total assets for the primary government. Related debt was \$1.3 billion. Total capital assets net of related debt for the primary government was \$10.2 billion. Related debt was 11.1% of capital assets. Total capital assets increased by \$731.8 million or 6.8% and is mainly attributable to increases in the Indiana Department of Transportation's land, infrastructure, and construction in progress. INDOT's capital assets increase of \$731.3

million accounted for 99.9% of the total increase in capital assets. Construction in progress consisting of right of way and work in progress increased \$518.4 million, infrastructure consisting of interstate roads, non-interstate roads, and bridges increased \$139.8 million, and land increased by \$73.1 million. More detailed information about the State's capital assets is presented in Note IV(D) to the Financial Statements.

The following table shows the percentage change from fiscal year 2008 to fiscal year 2009.

| State of Indiana<br>Capital Assets<br>(in millions of dollars) |                            |                    |                             |                |                             |                    |                      |
|----------------------------------------------------------------|----------------------------|--------------------|-----------------------------|----------------|-----------------------------|--------------------|----------------------|
|                                                                | Governmental<br>Activities |                    | Business-type<br>Activities |                | Total Primary<br>Government |                    | Total<br>%<br>Change |
|                                                                | 2009                       | 2008               | 2009                        | 2008           | 2009                        | 2008               |                      |
| Land                                                           | \$ 1,396.7                 | \$ 1,318.4         | \$ -                        | \$ -           | \$ 1,396.7                  | \$ 1,318.4         | 5.9%                 |
| Infrastructure                                                 | 7,902.7                    | 7,762.9            | -                           | -              | 7,902.7                     | 7,762.9            | 1.8%                 |
| Construction in Progress                                       | 1,281.5                    | 749.1              | -                           | 3.1            | 1,281.5                     | 752.2              | 70.4%                |
| Property, plant and equipment                                  | 1,873.7                    | 1,863.1            | 26.8                        | 22.8           | 1,900.5                     | 1,885.9            | 0.8%                 |
| Less accumulated depreciation                                  | (1,019.8)                  | (990.5)            | (12.3)                      | (12.2)         | (1,032.1)                   | (1,002.7)          | 2.9%                 |
| <b>Total</b>                                                   | <b>\$ 11,434.8</b>         | <b>\$ 10,703.0</b> | <b>\$ 14.5</b>              | <b>\$ 13.7</b> | <b>\$ 11,449.3</b>          | <b>\$ 10,716.7</b> | <b>6.8%</b>          |

## Long-term Obligations

Major long-term obligations items are included in the following table. These items comprised 100%

of total long-term liabilities and 40.6% of total liabilities.

The following table shows the percentage change from fiscal year 2008 to fiscal year 2009.

| State of Indiana<br>Long-term Liabilities<br>(in millions of dollars) |                            |                   |                             |                |                             |                   |                      |
|-----------------------------------------------------------------------|----------------------------|-------------------|-----------------------------|----------------|-----------------------------|-------------------|----------------------|
|                                                                       | Governmental<br>Activities |                   | Business-type<br>Activities |                | Total Primary<br>Government |                   | Total<br>%<br>Change |
|                                                                       | 2009                       | 2008              | 2009                        | 2008           | 2009                        | 2008              |                      |
| Accrued liability for compensated absences                            | \$ 67.1                    | \$ 67.9           | \$ 0.3                      | \$ 0.2         | \$ 67.4                     | \$ 68.1           | -1.0%                |
| Intergovernmental payable                                             | 50.0                       | 60.0              | -                           | -              | 50.0                        | 60.0              | -16.7%               |
| Capital lease payable                                                 | 1,242.9                    | 1,280.4           | -                           | -              | 1,242.9                     | 1,280.4           | -2.9%                |
| Claims payable                                                        | -                          | -                 | 42.5                        | 47.0           | 42.5                        | 47.0              | -9.6%                |
| Net pension obligations                                               | 957.5                      | 1,076.0           | -                           | -              | 957.5                       | 1,076.0           | -11.0%               |
| Other postemployment benefits                                         | 71.8                       | 35.7              | -                           | -              | 71.8                        | 35.7              | 101.1%               |
| Pollution remediation                                                 | 52.1                       | -                 | -                           | -              | 52.1                        | -                 | N/A                  |
| Due to component units                                                | 50.0                       | 50.0              | -                           | -              | 50.0                        | 50.0              | 0.0%                 |
| <b>Total</b>                                                          | <b>\$ 2,491.4</b>          | <b>\$ 2,570.0</b> | <b>\$ 42.8</b>              | <b>\$ 47.2</b> | <b>\$ 2,534.2</b>           | <b>\$ 2,617.2</b> | <b>-3.2%</b>         |

Total long-term liabilities decreased by 3.2% or \$83.0 million. Significant decreases were in net pension obligations of \$118.5 million and capital leases payable of \$37.5 million.

The significant decrease in net pension obligations is because of the removal of the PERF-Municipal's NPO as a liability since the State of Indiana is not responsible for the funding of this plan's pension benefits.

The decrease in capital leases payable is made up in large part from a decrease of \$35.7 million in the direct financing lease with the Highway Revenue Bonds Fund of the Indiana Finance Authority. We had other capital leases that decreased by \$1.8 million.

The \$10.0 million decrease in intergovernmental payables resulted from a distribution for infrastructure projects under the Major Moves Construction Fund.

Due to the implementation of GASB 49, we are

reporting for the first time a long term liability for pollution remediation of \$52.1 million.

Other postemployment benefits increased \$36.1 million in the second year of reporting under GASB 45. This increase in OPEB liability is based on an interim OPEB financial report for the fiscal year ending June 30, 2009. The June 30, 2007 actuarial valuation (most recent) was used and then projected to June 30, 2008 with adjustments for known experience for the period ending June 30, 2009.

Claims payable for business activities decreased by \$4.5 million. This was the amount of decrease in claims payable for the Indiana Residual Malpractice Insurance Authority.

More detailed information about the State's long term obligations is presented in Note IV(F) to the Financial Statements.

## Infrastructure

As required by GASB Statement No. 34, the State has capitalized its infrastructure. This amounts to \$7.9 billion in roads and bridges using the modified approach, \$1.2 billion in right of way classified as land, and \$14.2 million in dams being depreciated. In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.

- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

Under the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 23,000 lane miles of roads and approximately 5,191 bridges that the State is responsible to maintain.

The State has consistently maintained the assessed conditions of roads over the past eight years. It is the State's policy to maintain Interstate and National Highway System (NHS) Non-Interstate roads at an average Pavement Quality Index (PQI) of 75 and Non-NHS roads at an average PQI of 65. The most recent condition assessment, completed for FY 2009, indicated that the average PQI for roads exceeded the minimum acceptable standard.

The State has maintained the assessed conditions of

## Economic Factors

The economic and revenue forecasts upon which the FY 2010 – FY 2011 state budget was based were presented to the State Budget Committee on May 27, 2009. Real Gross Domestic Product was forecasted to decrease by 1.66% in FY 2009 and another 1.16% in FY 2010, and then to increase by 2.76% in FY 2011. Nominal Indiana nonfarm personal income was forecasted to increase by 1.12% in FY 2009, and then to decrease by 0.60% in FY 2010 before increasing by 2.28% in FY 2011.

The May 27, 2009 forecast introduced three new

## Contacting the Auditor of State

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have

bridges at levels which are above the established benchmarks. It is the State's policy to maintain Interstate bridges at an average sufficiency rating of 87%, NHS Non-Interstate bridges at an average sufficiency rating of 85%, and Non-NHS bridges at an average sufficiency rating of 83%. The most recent condition assessment, completed in FY 2009, indicated that the average sufficiency rating for bridges exceeded the minimum acceptable standard.

INDOT's total actual maintenance and preservation costs for infrastructure presented as required supplementary information were higher than the total planned (needed) amount. However, actual maintenance and preservation costs for interstate roads, interstate bridges, NHS-bridges, non-interstate, and non-NHS bridges were lower than their planned amounts. This is because the planned amounts are estimates and INDOT's construction budget was decreased 8%.

economic variables to more accurately capture how state revenues track the economy: (1) Wages and salary disbursements were forecasted to decrease by 0.87% in FY 2009 and another 1.93% in FY 2010, and then to increase by 1.79% in FY 2011, (2) Household financial assets were forecasted to decrease by 15.3% in FY 2009, and then to increase by 3.47% in FY 2010 and 8.99% in FY 2011, and (3) Personal consumption expenditures were forecasted to increase by 0.52% in FY 2009, by 0.96% in FY 2010, and by 3.80% in FY 2011.

questions about this report or need additional financial information, contact the Auditor of State, Room 240 State House, 200 West Washington Street, Indianapolis, Indiana 46204-2793, telephone (317) 232-3300.



# BASIC FINANCIAL STATEMENTS



# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**State of Indiana**  
**Statement of Net Assets**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Primary Government      |                          |                   | Component Units   |
|-----------------------------------------------------|-------------------------|--------------------------|-------------------|-------------------|
|                                                     | Governmental Activities | Business-type Activities | Total             |                   |
| <b>Assets:</b>                                      |                         |                          |                   |                   |
| Current assets:                                     |                         |                          |                   |                   |
| Cash, cash equivalents and investments              | \$ 6,919,643            | \$ 90,269                | \$ 7,009,912      | \$ 3,607,173      |
| Securities lending collateral                       | 1,143,229               | -                        | 1,143,229         | 430,292           |
| Receivables (net)                                   | 2,482,891               | 82,342                   | 2,565,233         | 708,822           |
| Inventory                                           | 6,409                   | 607                      | 7,016             | 17,392            |
| Prepaid expenses                                    | 4,857                   | 49                       | 4,906             | 25,577            |
| Loans                                               | 67,428                  | -                        | 67,428            | -                 |
| Intergovernmental loans                             | -                       | -                        | -                 | 815,679           |
| Due from component unit                             | 32,258                  | -                        | 32,258            | -                 |
| Investment in direct financing lease                | -                       | -                        | -                 | 56,643            |
| Funds held in trust by others                       | -                       | -                        | -                 | 78,029            |
| Other postemployment benefits                       | -                       | -                        | -                 | 7,442             |
| Other current assets                                | -                       | -                        | -                 | 91,305            |
| <b>Total current assets</b>                         | <b>10,656,715</b>       | <b>173,267</b>           | <b>10,829,982</b> | <b>5,838,354</b>  |
| Noncurrent assets:                                  |                         |                          |                   |                   |
| Cash, cash equivalents and investments - restricted | -                       | -                        | -                 | 2,166,971         |
| Taxes, interest, and penalties receivable           | 253,578                 | -                        | 253,578           | 5,117             |
| Pollution remediation recovery                      | 5,217                   | -                        | 5,217             | -                 |
| Other receivables                                   | 2,051                   | -                        | 2,051             | 4,859,877         |
| Investments - unrestricted                          | -                       | -                        | -                 | 3,537,257         |
| Loans                                               | 424,794                 | -                        | 424,794           | -                 |
| Bond issuance costs net of amortization             | -                       | -                        | -                 | 48,999            |
| Intergovernmental loans                             | -                       | -                        | -                 | 1,813,270         |
| Due from primary government                         | -                       | -                        | -                 | 50,000            |
| Investment in direct financing lease                | -                       | -                        | -                 | 2,054,022         |
| Net pension assets                                  | 83,773                  | -                        | 83,773            | 89                |
| Other postemployment benefits                       | -                       | -                        | -                 | 1,413             |
| Other noncurrent assets                             | -                       | -                        | -                 | 57,295            |
| Capital assets:                                     |                         |                          |                   |                   |
| Land                                                | 1,396,659               | -                        | 1,396,659         | 421,567           |
| Infrastructure                                      | 7,902,729               | -                        | 7,902,729         | 616,000           |
| Construction in progress                            | 1,281,535               | -                        | 1,281,535         | 934,675           |
| Property, plant, and equipment                      | 1,873,680               | 26,812                   | 1,900,492         | 9,416,131         |
| Less accumulated depreciation                       | (1,019,761)             | (12,287)                 | (1,032,048)       | (4,186,806)       |
| Total capital assets, net of depreciation           | 11,434,842              | 14,525                   | 11,449,367        | 7,201,567         |
| <b>Total noncurrent assets</b>                      | <b>12,204,255</b>       | <b>14,525</b>            | <b>12,218,780</b> | <b>21,795,877</b> |
| <b>Total assets</b>                                 | <b>22,860,970</b>       | <b>187,792</b>           | <b>23,048,762</b> | <b>27,634,231</b> |
| <b>Liabilities:</b>                                 |                         |                          |                   |                   |
| Current liabilities:                                |                         |                          |                   |                   |
| Accounts payable                                    | 1,088,355               | 542                      | 1,088,897         | 381,350           |
| Claim payable                                       | -                       | 3,221                    | 3,221             | 13,664            |
| Interest payable                                    | -                       | -                        | -                 | 139,339           |
| Current portion of long-term debt                   | -                       | -                        | -                 | 1,503,022         |
| Line of credit                                      | -                       | -                        | -                 | 350,000           |
| Intergovernmental payable                           | 125,035                 | -                        | 125,035           | -                 |
| Due to primary government                           | -                       | -                        | -                 | 32,258            |
| Leases payable                                      | 43,209                  | -                        | 43,209            | 1,261             |
| Accrued prize liability                             | -                       | -                        | -                 | 52,175            |
| Salaries, health, disability, and benefits payable  | 134,409                 | 508                      | 134,917           | 27,265            |
| Tax refunds payable                                 | 83,039                  | -                        | 83,039            | -                 |
| Unearned revenue                                    | 5,302                   | 5,741                    | 11,043            | 284,557           |
| Accrued liability for compensated absences          | 80,186                  | 198                      | 80,384            | 67,837            |
| Due to federal government (net)                     | -                       | 904,944                  | 904,944           | -                 |
| Pollution remediation payable                       | 14,609                  | -                        | 14,609            | -                 |
| Securities lending payable                          | 6,076                   | -                        | 6,076             | -                 |
| Securities lending collateral                       | 1,143,229               | -                        | 1,143,229         | 430,292           |
| Deposits held in custody for others                 | -                       | -                        | -                 | 67,454            |
| Other current liabilities                           | 37                      | 525                      | 562               | 66,872            |
| <b>Total current liabilities</b>                    | <b>2,723,486</b>        | <b>915,679</b>           | <b>3,639,165</b>  | <b>3,417,346</b>  |

**State of Indiana**  
**Statement of Net Assets**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                | Primary Government      |                          |                      | Component Units     |
|------------------------------------------------|-------------------------|--------------------------|----------------------|---------------------|
|                                                | Governmental Activities | Business-type Activities | Total                |                     |
| Long-term liabilities:                         |                         |                          |                      |                     |
| Accrued liability for compensated absences     | \$ 67,086               | \$ 310                   | \$ 67,396            | \$ 66,422           |
| Claims payable                                 | -                       | 42,483                   | 42,483               | -                   |
| Intergovernmental payable                      | 50,000                  | -                        | 50,000               | -                   |
| Accrued prize liability                        | -                       | -                        | -                    | 100,850             |
| Net pension obligations                        | 957,499                 | -                        | 957,499              | -                   |
| Other postemployment benefits                  | 71,831                  | -                        | 71,831               | 27,557              |
| Pollution remediation payable                  | 52,068                  | -                        | 52,068               | 4,289               |
| Due to component unit                          | 50,000                  | -                        | 50,000               | -                   |
| Unearned revenue                               | -                       | -                        | -                    | 3,593,646           |
| Leases payable                                 | 1,242,898               | -                        | 1,242,898            | 2,730               |
| Funds held in trust for others                 | -                       | -                        | -                    | 146,719             |
| Advances from federal government               | -                       | -                        | -                    | 34,968              |
| Revenue bonds/notes payable                    | -                       | -                        | -                    | 11,767,201          |
| Other noncurrent liabilities                   | -                       | -                        | -                    | 98,317              |
| Total long-term liabilities                    | 2,491,382               | 42,793                   | 2,534,175            | 15,842,699          |
| <b>Total liabilities</b>                       | <b>5,214,868</b>        | <b>958,472</b>           | <b>6,173,340</b>     | <b>19,260,045</b>   |
| <b>Net Assets:</b>                             |                         |                          |                      |                     |
| Invested in capital assets net of related debt | 10,148,735              | 14,525                   | 10,163,260           | 3,501,924           |
| Restricted-nonexpendable:                      |                         |                          |                      |                     |
| Grants/constitutional restrictions             | -                       | -                        | -                    | 9,031               |
| Permanent funds                                | 1,094,864               | -                        | 1,094,864            | 19,088              |
| Future debt service                            | -                       | -                        | -                    | 163,704             |
| Instruction and research                       | -                       | -                        | -                    | 213,252             |
| Student aid                                    | -                       | -                        | -                    | 197,481             |
| Other purposes                                 | -                       | -                        | -                    | 28,486              |
| Total restricted-nonexpendable                 | 1,094,864               | -                        | 1,094,864            | 631,042             |
| Restricted-expendable:                         |                         |                          |                      |                     |
| Instruction and research                       | -                       | -                        | -                    | 444,089             |
| Grants/constitutional restrictions             | 228,723                 | -                        | 228,723              | 18,879              |
| Endowments                                     | -                       | -                        | -                    | 296,880             |
| Future debt service                            | -                       | -                        | -                    | 205,236             |
| Pension fund distribution                      | -                       | -                        | -                    | 8,239               |
| Public safety programs                         | -                       | -                        | -                    | 8,027               |
| Student aid                                    | -                       | -                        | -                    | 601,673             |
| Auxiliary enterprises                          | -                       | -                        | -                    | 7,126               |
| Capital projects                               | -                       | -                        | -                    | 259,752             |
| Water pollution and drinking water projects    | -                       | -                        | -                    | 1,003,399           |
| Other purposes                                 | -                       | -                        | -                    | 91,815              |
| Total restricted-expendable                    | 228,723                 | -                        | 228,723              | 2,945,115           |
| Unrestricted                                   | 6,173,780               | (785,205)                | 5,388,575            | 1,296,105           |
| <b>Total net assets</b>                        | <b>\$ 17,646,102</b>    | <b>\$ (770,680)</b>      | <b>\$ 16,875,422</b> | <b>\$ 8,374,186</b> |

The notes to the financial statements are an integral part of this statement.



# **FUND FINANCIAL STATEMENTS**

**State of Indiana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

(amounts expressed in thousands)

|                                                     | <u>General Fund</u> | <u>Motor Vehicle<br/>Highway Fund</u> | <u>Medicaid<br/>Assistance Fund</u> | <u>Major Moves<br/>Construction<br/>Fund</u> |
|-----------------------------------------------------|---------------------|---------------------------------------|-------------------------------------|----------------------------------------------|
| <b>Assets:</b>                                      |                     |                                       |                                     |                                              |
| Cash, cash equivalents and investments-unrestricted | \$ 737,747          | \$ 4,152                              | \$ 80,763                           | \$ 2,262,605                                 |
| Securities lending collateral                       | 580,571             | -                                     | -                                   | 258,217                                      |
| Receivables:                                        |                     |                                       |                                     |                                              |
| Taxes (net of allowance for uncollectible accounts) | 1,647,688           | 17,893                                | -                                   | -                                            |
| Securities lending                                  | 3,174               | -                                     | -                                   | 1,436                                        |
| Accounts                                            | 20,550              | -                                     | 173                                 | -                                            |
| Grants                                              | 4,679               | 42                                    | 239,643                             | -                                            |
| Interest                                            | 3,947               | -                                     | -                                   | -                                            |
| Interfund loans                                     | 13,558              | 39,913                                | -                                   | -                                            |
| Due from component unit                             | 201                 | -                                     | -                                   | -                                            |
| Prepaid expenditures                                | 11                  | 1                                     | -                                   | -                                            |
| Loans                                               | 22,896              | -                                     | -                                   | -                                            |
|                                                     | <u>3,035,022</u>    | <u>62,001</u>                         | <u>320,579</u>                      | <u>2,522,258</u>                             |
| Total assets                                        | \$ 3,035,022        | \$ 62,001                             | \$ 320,579                          | \$ 2,522,258                                 |
| <b>Liabilities:</b>                                 |                     |                                       |                                     |                                              |
| Accounts payable                                    | \$ 116,275          | \$ 2,329                              | \$ 339,942                          | \$ 21                                        |
| Salaries and benefits payable                       | 42,865              | 7,079                                 | -                                   | -                                            |
| Interfund loans                                     | -                   | -                                     | -                                   | -                                            |
| Interfund services used                             | 3,579               | 322                                   | -                                   | -                                            |
| Intergovernmental payable                           | 41,243              | 19,276                                | -                                   | -                                            |
| Tax refunds payable                                 | 78,885              | -                                     | -                                   | -                                            |
| Deferred revenue                                    | 632,336             | 7,223                                 | -                                   | -                                            |
| Accrued liability for compensated absences-current  | 2,795               | 86                                    | -                                   | -                                            |
| Pollution remediation payable                       | -                   | -                                     | -                                   | -                                            |
| Securities lending payable                          | 3,174               | -                                     | -                                   | 1,436                                        |
| Securities lending collateral                       | 580,571             | -                                     | -                                   | 258,217                                      |
|                                                     | <u>1,501,723</u>    | <u>36,315</u>                         | <u>339,942</u>                      | <u>259,674</u>                               |
| Total liabilities                                   | 1,501,723           | 36,315                                | 339,942                             | 259,674                                      |
| <b>Fund balance:</b>                                |                     |                                       |                                     |                                              |
| Reserved:                                           |                     |                                       |                                     |                                              |
| Encumbrances                                        | 33,049              | 5,352                                 | -                                   | -                                            |
| Special purposes                                    | -                   | -                                     | -                                   | -                                            |
| Tuition support                                     | -                   | -                                     | -                                   | -                                            |
| Interfund loans                                     | 13,558              | 39,913                                | -                                   | -                                            |
| Long-term loans and advances                        | 22,396              | -                                     | -                                   | -                                            |
| Restricted purposes                                 | 4,679               | 42                                    | 20,043                              | -                                            |
| Unreserved:                                         |                     |                                       |                                     |                                              |
| Unreserved fund balance reported in:                |                     |                                       |                                     |                                              |
| General fund                                        | 1,459,617           | -                                     | -                                   | -                                            |
| Special revenue funds                               | -                   | (19,621)                              | (39,406)                            | 2,262,584                                    |
| Capital projects funds                              | -                   | -                                     | -                                   | -                                            |
| Permanent funds                                     | -                   | -                                     | -                                   | -                                            |
|                                                     | <u>1,533,299</u>    | <u>25,686</u>                         | <u>(19,363)</u>                     | <u>2,262,584</u>                             |
| Total fund balances                                 | 1,533,299           | 25,686                                | (19,363)                            | 2,262,584                                    |
| <b>Total liabilities and fund balances</b>          | <u>\$ 3,035,022</u> | <u>\$ 62,001</u>                      | <u>\$ 320,579</u>                   | <u>\$ 2,522,258</u>                          |

The notes to the financial statements are an integral part of this statement.

| <u>State Highway<br/>Department Fund</u> | <u>Property Tax<br/>Replacement<br/>Fund</u> | <u>ARRA of 2009<br/>Fund</u> | <u>Non-major<br/>Governmental<br/>Funds</u> | <u>Total</u>         |
|------------------------------------------|----------------------------------------------|------------------------------|---------------------------------------------|----------------------|
| \$ 174,686                               | \$ -                                         | \$ 6,708                     | \$ 3,534,014                                | \$ 6,800,675         |
| 3,500                                    | -                                            | -                            | 300,941                                     | 1,143,229            |
| 1                                        | -                                            | -                            | 192,947                                     | 1,858,529            |
| 11                                       | -                                            | -                            | 1,455                                       | 6,076                |
| 566                                      | -                                            | -                            | 43,814                                      | 65,103               |
| 57,487                                   | -                                            | 41,200                       | 186,370                                     | 529,421              |
| 1                                        | -                                            | -                            | 96                                          | 4,044                |
| -                                        | -                                            | -                            | -                                           | 53,471               |
| -                                        | -                                            | -                            | 32,057                                      | 32,258               |
| -                                        | -                                            | -                            | 8                                           | 20                   |
| 9,609                                    | -                                            | -                            | 459,718                                     | 492,223              |
| <u>\$ 245,861</u>                        | <u>\$ -</u>                                  | <u>\$ 47,908</u>             | <u>\$ 4,751,420</u>                         | <u>\$ 10,985,049</u> |
| \$ 26,909                                | \$ -                                         | \$ 35,261                    | 200,707                                     | \$ 721,444           |
| 9,499                                    | -                                            | 1,083                        | 32,295                                      | 92,821               |
| -                                        | -                                            | -                            | 53,471                                      | 53,471               |
| 423                                      | -                                            | -                            | 6,165                                       | 10,489               |
| -                                        | -                                            | -                            | 54,516                                      | 115,035              |
| -                                        | -                                            | -                            | 4,154                                       | 83,039               |
| 565                                      | -                                            | -                            | 57,752                                      | 697,876              |
| 832                                      | -                                            | -                            | 2,323                                       | 6,036                |
| -                                        | -                                            | -                            | 212                                         | 212                  |
| 11                                       | -                                            | -                            | 1,455                                       | 6,076                |
| 3,500                                    | -                                            | -                            | 300,941                                     | 1,143,229            |
| <u>41,739</u>                            | <u>-</u>                                     | <u>36,344</u>                | <u>713,991</u>                              | <u>2,929,728</u>     |
| 1,497,959                                | -                                            | 217,888                      | 199,588                                     | 1,953,836            |
| -                                        | -                                            | -                            | 4,768                                       | 4,768                |
| -                                        | -                                            | -                            | 941,719                                     | 941,719              |
| -                                        | -                                            | -                            | -                                           | 53,471               |
| 9,524                                    | -                                            | -                            | 444,238                                     | 476,158              |
| 57,487                                   | -                                            | 1,892                        | 144,580                                     | 228,723              |
| -                                        | -                                            | -                            | -                                           | 1,459,617            |
| (1,360,848)                              | -                                            | (208,216)                    | 1,555,564                                   | 2,190,057            |
| -                                        | -                                            | -                            | 85,468                                      | 85,468               |
| -                                        | -                                            | -                            | 661,504                                     | 661,504              |
| <u>204,122</u>                           | <u>-</u>                                     | <u>11,564</u>                | <u>4,037,429</u>                            | <u>8,055,321</u>     |
| <u>\$ 245,861</u>                        | <u>\$ -</u>                                  | <u>\$ 47,908</u>             | <u>\$ 4,751,420</u>                         | <u>\$ 10,985,049</u> |

**State of Indiana**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                               |    |           |
|-----------------------------------------------|----|-----------|
| <b>Total fund balances-governmental funds</b> | \$ | 8,055,321 |
|-----------------------------------------------|----|-----------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

|                                           |    |           |            |
|-------------------------------------------|----|-----------|------------|
| Land                                      | \$ | 1,396,659 |            |
| Infrastructure assets                     |    | 7,902,729 |            |
| Construction in progress                  |    | 1,281,458 |            |
| Property, plant, and equipment            |    | 1,821,270 |            |
| Accumulated depreciation                  |    | (988,868) |            |
| Total capital assets, net of depreciation |    |           | 11,413,248 |

|                                                                                        |  |        |
|----------------------------------------------------------------------------------------|--|--------|
| The State's pension funds have net pension assets not reported as assets in the funds. |  | 83,773 |
|----------------------------------------------------------------------------------------|--|--------|

Some of the state's receivables will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

|                     |    |         |         |
|---------------------|----|---------|---------|
| Taxes receivable    | \$ | 692,575 |         |
| Accounts receivable |    | 84,256  |         |
|                     |    |         | 776,831 |

Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

|                                                   |    |           |           |
|---------------------------------------------------|----|-----------|-----------|
| Accounts payable                                  | \$ | (236,215) |           |
| Salaries, health, disability and benefits payable |    | (845)     |           |
| Pollution remediation                             |    | (61,248)  |           |
|                                                   |    |           | (298,308) |

|                                                                                                                                                                                                                                               |  |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. |  | 109,092 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

|                                              |  |             |             |
|----------------------------------------------|--|-------------|-------------|
| Accrued liability for compensated absences   |  | (137,356)   |             |
| Other postemployment benefits                |  | (71,831)    |             |
| Loan from the Indiana Board for Depositories |  | (50,000)    |             |
| Capital lease payable                        |  | (1,277,169) |             |
| Net pension obligations                      |  | (957,499)   |             |
| Total long-term liabilities                  |  |             | (2,493,855) |

|                                              |           |                   |
|----------------------------------------------|-----------|-------------------|
| <b>Net assets of governmental activities</b> | <b>\$</b> | <b>17,646,102</b> |
|----------------------------------------------|-----------|-------------------|

The notes to the financial statements are an integral part of this statement.





**State of Indiana**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <b>General Fund</b> | <b>Motor Vehicle<br/>Highway Fund</b> | <b>Medicaid<br/>Assistance Fund</b> | <b>Major Moves<br/>Construction<br/>Fund</b> |
|---------------------------------------------------|---------------------|---------------------------------------|-------------------------------------|----------------------------------------------|
| <b>Revenues:</b>                                  |                     |                                       |                                     |                                              |
| Taxes:                                            |                     |                                       |                                     |                                              |
| Income                                            | \$ 5,035,065        | \$ -                                  | \$ -                                | \$ -                                         |
| Sales                                             | 6,009,729           | -                                     | -                                   | -                                            |
| Fuels                                             | -                   | 445,112                               | -                                   | -                                            |
| Gaming                                            | 83,723              | -                                     | -                                   | -                                            |
| Inheritance                                       | 183,216             | -                                     | -                                   | -                                            |
| Alcohol and tobacco                               | 334,985             | -                                     | -                                   | -                                            |
| Insurance                                         | 182,933             | -                                     | -                                   | -                                            |
| Financial Institutions                            | -                   | -                                     | -                                   | -                                            |
| Other                                             | 240,430             | -                                     | -                                   | -                                            |
| Total taxes                                       | 12,070,081          | 445,112                               | -                                   | -                                            |
| Current service charges                           | 185,912             | 122,032                               | 110,154                             | -                                            |
| Investment income                                 | 95,134              | -                                     | -                                   | 101,880                                      |
| Sales/rents                                       | 1,804               | 7                                     | -                                   | -                                            |
| Grants                                            | 12,942              | 17,465                                | 3,602,154                           | -                                            |
| Other                                             | 39,312              | 30,070                                | 143,397                             | -                                            |
| Total revenues                                    | 12,405,185          | 614,686                               | 3,855,705                           | 101,880                                      |
| <b>Expenditures:</b>                              |                     |                                       |                                     |                                              |
| Current:                                          |                     |                                       |                                     |                                              |
| General government                                | 2,144,038           | 272,367                               | -                                   | -                                            |
| Public safety                                     | 714,838             | 212,394                               | -                                   | -                                            |
| Health                                            | 67,140              | 112                                   | -                                   | -                                            |
| Welfare                                           | 307,186             | -                                     | 5,362,763                           | -                                            |
| Conservation, culture and development             | 88,026              | -                                     | -                                   | -                                            |
| Education                                         | 7,227,174           | 271                                   | -                                   | -                                            |
| Transportation                                    | 2,187               | 2,301                                 | -                                   | 14,705                                       |
| Total expenditures                                | 10,550,589          | 487,445                               | 5,362,763                           | 14,705                                       |
| Excess (deficiency) of revenues over expenditures | 1,854,596           | 127,241                               | (1,507,058)                         | 87,175                                       |
| <b>Other financing sources (uses):</b>            |                     |                                       |                                     |                                              |
| Transfers in                                      | 2,550,671           | 202,329                               | 1,820,551                           | -                                            |
| Transfers (out)                                   | (5,672,367)         | (327,207)                             | (329,435)                           | (399,000)                                    |
| Proceeds from capital lease                       | 77                  | -                                     | -                                   | -                                            |
| Total other financing sources (uses)              | (3,121,619)         | (124,878)                             | 1,491,116                           | (399,000)                                    |
| <b>Net change in fund balances</b>                | (1,267,023)         | 2,363                                 | (15,942)                            | (311,825)                                    |
| <b>Fund Balance July 1, as restated</b>           | 2,800,322           | 23,323                                | (3,421)                             | 2,574,409                                    |
| <b>Fund Balance June 30</b>                       | <b>\$ 1,533,299</b> | <b>\$ 25,686</b>                      | <b>\$ (19,363)</b>                  | <b>\$ 2,262,584</b>                          |

The notes to the financial statements are an integral part of this statement.

| State Highway<br>Department Fund | Property Tax<br>Replacement<br>Fund | ARRA OF 2009<br>Fund | Non-Major<br>Governmental<br>Funds | Total               |
|----------------------------------|-------------------------------------|----------------------|------------------------------------|---------------------|
| \$ -                             | \$ -                                | \$ -                 | \$ 139,210                         | \$ 5,174,275        |
| -                                | -                                   | -                    | 145,992                            | 6,155,721           |
| 4                                | -                                   | -                    | 327,497                            | 772,613             |
| -                                | -                                   | -                    | 796,781                            | 880,504             |
| -                                | -                                   | -                    | -                                  | 183,216             |
| -                                | -                                   | -                    | 205,115                            | 540,100             |
| -                                | -                                   | -                    | 4,396                              | 187,329             |
| -                                | -                                   | -                    | 16,025                             | 16,025              |
| -                                | -                                   | -                    | 275,281                            | 515,711             |
| 4                                | -                                   | -                    | 1,910,297                          | 14,425,494          |
| 1,422                            | -                                   | -                    | 1,092,089                          | 1,511,609           |
| 245                              | -                                   | -                    | 310                                | 197,569             |
| 2,239                            | -                                   | -                    | 16,319                             | 20,369              |
| 970,755                          | -                                   | 996,614              | 3,859,787                          | 9,459,717           |
| 89,212                           | -                                   | -                    | 446,780                            | 748,771             |
| 1,063,877                        | -                                   | 996,614              | 7,325,582                          | 26,363,529          |
| 1,055                            | 1,020,134                           | -                    | 890,398                            | 4,327,992           |
| -                                | -                                   | -                    | 581,730                            | 1,508,962           |
| -                                | -                                   | -                    | 306,257                            | 373,509             |
| -                                | -                                   | 425,584              | 2,880,958                          | 8,976,491           |
| -                                | -                                   | 3,479                | 572,968                            | 664,473             |
| -                                | -                                   | 543,958              | 1,188,079                          | 8,959,482           |
| 1,857,907                        | -                                   | 12,023               | 219,889                            | 2,109,012           |
| 1,858,962                        | 1,020,134                           | 985,044              | 6,640,279                          | 26,919,921          |
| (795,085)                        | (1,020,134)                         | 11,570               | 685,303                            | (556,392)           |
| 839,846                          | 2,019,620                           | -                    | 3,143,376                          | 10,576,393          |
| (19,473)                         | (999,486)                           | (6)                  | (2,822,931)                        | (10,569,905)        |
| 5,454                            | -                                   | -                    | 127                                | 5,658               |
| 825,827                          | 1,020,134                           | (6)                  | 320,572                            | 12,146              |
| 30,742                           | -                                   | 11,564               | 1,005,875                          | (544,246)           |
| 173,380                          | -                                   | -                    | 3,031,554                          | 8,599,567           |
| <b>\$ 204,122</b>                | <b>\$ -</b>                         | <b>\$ 11,564</b>     | <b>\$ 4,037,429</b>                | <b>\$ 8,055,321</b> |

**State of Indiana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                      |    |           |
|------------------------------------------------------|----|-----------|
| Net change in fund balances-total governmental funds | \$ | (544,246) |
|------------------------------------------------------|----|-----------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report net capital outlays for infrastructure as expenditures. However in the statement of activities these outlays are capitalized and under the modified approach not depreciated. This is the amount of the net capital outlays for infrastructure under the modified approach in the current period.

731,308

Governmental funds report net capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays (\$60,273) exceeds depreciation (\$59,546) in the current period.

727

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

|                 |          |
|-----------------|----------|
| Tax revenue     | (49,526) |
| Non-tax revenue | (27,438) |

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.

|                                |           |
|--------------------------------|-----------|
| Operating expenses             | (130,156) |
| Statutory expenses             | 10,000    |
| Amounts due to component units | 33,391    |

Payment delays to colleges and universities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

31,028

The change in net pension assets and net pension obligations do not provide or require the use of current financial resources:

|                                     |        |
|-------------------------------------|--------|
| Decrease in net pension assets      | 14,114 |
| Decrease in net pension obligations | 6,868  |

The change in other postemployment benefits do not provide or require the use of current financial resources.

(36,086)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, data processing, telecommunications, fleet management, and printing, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

(8,407)

Change in net assets of governmental activities.

\$ 31,578

The notes to the financial statements are an integral part of this statement.



# State of Indiana

## Statement of Fund Net Assets

### Proprietary Funds

### June 30, 2009

(amounts expressed in thousands)

|                                                       | Unemployment<br>Compensation Fund | Non-Major Enterprise<br>Funds | Total               | Internal Service<br>Funds |
|-------------------------------------------------------|-----------------------------------|-------------------------------|---------------------|---------------------------|
| <b>Assets</b>                                         |                                   |                               |                     |                           |
| Current assets:                                       |                                   |                               |                     |                           |
| Cash, cash equivalents and investments - unrestricted | \$ 20,918                         | \$ 69,351                     | \$ 90,269           | \$ 118,968                |
| Receivables:                                          |                                   |                               |                     |                           |
| Accounts                                              | 76,297                            | 826                           | 77,123              | 7,047                     |
| Interest                                              | -                                 | 732                           | 732                 | -                         |
| Grants                                                | 4,487                             | -                             | 4,487               | -                         |
| Interfund services provided                           | -                                 | -                             | -                   | 10,489                    |
| Inventory                                             | -                                 | 607                           | 607                 | 6,409                     |
| Prepaid expenses                                      | -                                 | 49                            | 49                  | 4,857                     |
| Total current assets                                  | 101,702                           | 71,565                        | 173,267             | 147,770                   |
| Noncurrent assets:                                    |                                   |                               |                     |                           |
| Capital assets:                                       |                                   |                               |                     |                           |
| Construction in progress                              | -                                 | -                             | -                   | 77                        |
| Property, plant, and equipment                        | -                                 | 26,812                        | 26,812              | 52,410                    |
| Less accumulated depreciation                         | -                                 | (12,287)                      | (12,287)            | (30,893)                  |
| Total capital assets, net of depreciation             | -                                 | 14,525                        | 14,525              | 21,594                    |
| Total noncurrent assets                               | -                                 | 14,525                        | 14,525              | 21,594                    |
| <b>Total assets</b>                                   | <b>101,702</b>                    | <b>86,090</b>                 | <b>187,792</b>      | <b>169,364</b>            |
| <b>Liabilities</b>                                    |                                   |                               |                     |                           |
| Current liabilities:                                  |                                   |                               |                     |                           |
| Accounts payable                                      | -                                 | 542                           | 542                 | 6,653                     |
| Claims payable                                        | -                                 | 3,221                         | 3,221               | -                         |
| Salaries and benefits payable                         | -                                 | 508                           | 508                 | 1,448                     |
| Capital lease payable                                 | -                                 | -                             | -                   | 275                       |
| Health/disability benefits payable                    | -                                 | -                             | -                   | 39,295                    |
| Accrued liability for compensated absences            | -                                 | 198                           | 198                 | 2,037                     |
| Due to federal government (net)                       | 904,944                           | -                             | 904,944             | -                         |
| Interfund services used                               | -                                 | -                             | -                   | 20                        |
| Deferred revenue                                      | -                                 | 5,741                         | 5,741               | 1                         |
| Other liabilities                                     | -                                 | 525                           | 525                 | 37                        |
| Total current liabilities                             | 904,944                           | 10,735                        | 915,679             | 49,766                    |
| Noncurrent liabilities:                               |                                   |                               |                     |                           |
| Accrued liability for compensated absences            | -                                 | 310                           | 310                 | 1,843                     |
| Capital lease payable                                 | -                                 | -                             | -                   | 8,663                     |
| Claims payable                                        | -                                 | 42,483                        | 42,483              | -                         |
| Total noncurrent liabilities                          | -                                 | 42,793                        | 42,793              | 10,506                    |
| <b>Total liabilities</b>                              | <b>904,944</b>                    | <b>53,528</b>                 | <b>958,472</b>      | <b>60,272</b>             |
| <b>Net assets</b>                                     |                                   |                               |                     |                           |
| Invested in capital assets net of related debt        | -                                 | 14,525                        | 14,525              | 12,657                    |
| Unrestricted                                          | (803,242)                         | 18,037                        | (785,205)           | 96,435                    |
| <b>Total net assets</b>                               | <b>\$ (803,242)</b>               | <b>\$ 32,562</b>              | <b>\$ (770,680)</b> | <b>\$ 109,092</b>         |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                  | Unemployment<br>Compensation Fund | Non-Major Enterprise<br>Funds | Total               | Internal Service<br>Funds |
|--------------------------------------------------|-----------------------------------|-------------------------------|---------------------|---------------------------|
| <b>Operating revenues:</b>                       |                                   |                               |                     |                           |
| Sales/rents/premiums                             | \$ -                              | \$ 27,949                     | \$ 27,949           | \$ 521,129                |
| Employer contributions                           | 1,223,731                         | -                             | 1,223,731           | -                         |
| Charges for services                             | -                                 | -                             | -                   | 1,193                     |
| Other                                            | -                                 | 236                           | 236                 | 997                       |
| <b>Total operating revenues</b>                  | <b>1,223,731</b>                  | <b>28,185</b>                 | <b>1,251,916</b>    | <b>523,319</b>            |
| <b>Cost of sales</b>                             | <b>-</b>                          | <b>4,175</b>                  | <b>4,175</b>        | <b>23,554</b>             |
| <b>Gross margin</b>                              | <b>1,223,731</b>                  | <b>24,010</b>                 | <b>1,247,741</b>    | <b>499,765</b>            |
| <b>Operating expenses:</b>                       |                                   |                               |                     |                           |
| General and administrative expense               | 6,711                             | 20,368                        | 27,079              | 138,695                   |
| Claims expense                                   | -                                 | 243                           | 243                 | -                         |
| Health / disability benefit payments             | -                                 | -                             | -                   | 342,971                   |
| Unemployment compensation benefits               | 2,334,558                         | -                             | 2,334,558           | -                         |
| Depreciation and amortization                    | -                                 | 635                           | 635                 | 7,605                     |
| Other                                            | -                                 | 98                            | 98                  | -                         |
| <b>Total operating expenses</b>                  | <b>2,341,269</b>                  | <b>21,344</b>                 | <b>2,362,613</b>    | <b>489,271</b>            |
| <b>Operating income (loss)</b>                   | <b>(1,117,538)</b>                | <b>2,666</b>                  | <b>(1,114,872)</b>  | <b>10,494</b>             |
| <b>Nonoperating revenues (expenses):</b>         |                                   |                               |                     |                           |
| Interest and other investment income             | 2,719                             | 3,541                         | 6,260               | 1                         |
| Interest and other investment expense            | -                                 | -                             | -                   | (732)                     |
| Gain (Loss) on disposition of assets             | -                                 | -                             | -                   | (2,296)                   |
| Other                                            | 10,523                            | -                             | 10,523              | (7,273)                   |
| <b>Total nonoperating revenues (expenses)</b>    | <b>13,242</b>                     | <b>3,541</b>                  | <b>16,783</b>       | <b>(10,300)</b>           |
| <b>Income before contributions and transfers</b> | <b>(1,104,296)</b>                | <b>6,207</b>                  | <b>(1,098,089)</b>  | <b>194</b>                |
| Transfers in                                     | -                                 | 2,113                         | 2,113               | 14,129                    |
| Transfers (out)                                  | -                                 | -                             | -                   | (22,730)                  |
| <b>Change in net assets</b>                      | <b>(1,104,296)</b>                | <b>8,320</b>                  | <b>(1,095,976)</b>  | <b>(8,407)</b>            |
| <b>Total net assets, July 1, as restated</b>     | <b>301,054</b>                    | <b>24,242</b>                 | <b>325,296</b>      | <b>117,499</b>            |
| <b>Total net assets, June 30</b>                 | <b>\$ (803,242)</b>               | <b>\$ 32,562</b>              | <b>\$ (770,680)</b> | <b>\$ 109,092</b>         |

The notes to the financial statements are an integral part of this statement.



**State of Indiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                                      | <b>Unemployment<br/>Compensation<br/>Fund</b> | <b>Non-Major<br/>Enterprise Funds</b> | <b>Total</b>     | <b>Internal Service<br/>Funds</b> |
|----------------------------------------------------------------------|-----------------------------------------------|---------------------------------------|------------------|-----------------------------------|
| <b>Cash flows from operating activities:</b>                         |                                               |                                       |                  |                                   |
| Cash received from customers                                         | \$ 849,033                                    | \$ 27,615                             | \$ 876,648       | \$ 524,284                        |
| Cash paid for general and administrative                             | (6,711)                                       | (20,264)                              | (26,975)         | (138,406)                         |
| Cash paid for salary/health/disability benefit payments              | -                                             | -                                     | -                | (340,977)                         |
| Cash paid to suppliers                                               | -                                             | (4,174)                               | (4,174)          | (27,724)                          |
| Cash paid for claims expense                                         | (1,967,608)                                   | (4,250)                               | (1,971,858)      | -                                 |
| Net cash provided (used) by operating activities                     | (1,125,286)                                   | (1,073)                               | (1,126,359)      | 17,177                            |
| <b>Cash flows from noncapital financing activities:</b>              |                                               |                                       |                  |                                   |
| Transfers in                                                         | -                                             | -                                     | -                | 14,205                            |
| Transfers out                                                        | -                                             | -                                     | -                | (22,730)                          |
| Loan from federal government                                         | 1,271,906                                     | -                                     | 1,271,906        | -                                 |
| Repayment of loan from federal government                            | (366,961)                                     | -                                     | (366,961)        | -                                 |
| Other                                                                | 11,564                                        | -                                     | 11,564           | (7,637)                           |
| Net cash provided (used) by noncapital financing activities          | 916,509                                       | -                                     | 916,509          | (16,162)                          |
| <b>Cash flows from capital and related financing activities:</b>     |                                               |                                       |                  |                                   |
| Acquisition/construction of capital assets                           | -                                             | (1,486)                               | (1,486)          | (9,391)                           |
| Proceeds from sale of assets                                         | -                                             | -                                     | -                | 84                                |
| Principal payments -- capital leases                                 | -                                             | -                                     | -                | (259)                             |
| Capital contributions                                                | -                                             | 2,114                                 | 2,114            | -                                 |
| Interest paid                                                        | -                                             | -                                     | -                | (721)                             |
| Net cash provided (used) by capital and related financing activities | -                                             | 628                                   | 628              | (10,287)                          |
| <b>Cash flows from investing activities:</b>                         |                                               |                                       |                  |                                   |
| Proceeds from sales of investments                                   | -                                             | 8,000                                 | 8,000            | -                                 |
| Purchase of investments                                              | -                                             | (11,648)                              | (11,648)         | -                                 |
| Interest income (expense) on investments                             | 2,719                                         | 2,761                                 | 5,480            | 1                                 |
| Net cash provided (used) by investing activities                     | 2,719                                         | (887)                                 | 1,832            | 1                                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | (206,058)                                     | (1,332)                               | (207,390)        | (9,271)                           |
| <b>Cash and cash equivalents, July 1</b>                             | 226,976                                       | 6,459                                 | 233,435          | 128,239                           |
| <b>Cash and cash equivalents, June 30</b>                            | <u>\$ 20,918</u>                              | <u>\$ 5,127</u>                       | <u>\$ 26,045</u> | <u>\$ 118,968</u>                 |
| <b>Reconciliation of cash , cash equivalents and investments:</b>    |                                               |                                       |                  |                                   |
| Cash and cash equivalents unrestricted at end of year                | \$ 20,918                                     | \$ 5,127                              | \$ 26,045        | \$ 118,968                        |
| Investments unrestricted                                             | -                                             | 64,224                                | 64,224           | -                                 |
| <b>Cash, cash equivalents and investments per balance sheet</b>      | <u>\$ 20,918</u>                              | <u>\$ 69,351</u>                      | <u>\$ 90,269</u> | <u>\$ 118,968</u>                 |
| <b>Noncash investing, capital and financing activities:</b>          |                                               |                                       |                  |                                   |
| Increase in fair value of investments                                | \$ -                                          | \$ 736                                | \$ 736           | \$ -                              |

**State of Indiana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June**  
**30, 2009**

(amounts expressed in thousands)

|                                                                                                          | <b>Unemployment<br/>Compensation<br/>Fund</b> | <b>Non-Major<br/>Enterprise Funds</b> | <b>Total</b>          | <b>Internal Service<br/>Funds</b> |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------|-----------------------|-----------------------------------|
| <b>Reconciliation of operating income to net cash provided<br/>(used) by operating activities:</b>       |                                               |                                       |                       |                                   |
| Operating income (loss)                                                                                  | \$ (1,117,538)                                | \$ 2,666                              | \$ (1,114,872)        | \$ 10,494                         |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities: |                                               |                                       |                       |                                   |
| Depreciation/amortization expense                                                                        | -                                             | 635                                   | 635                   | 7,605                             |
| (Increase) decrease in receivables                                                                       | (7,737)                                       | 119                                   | (7,618)               | 669                               |
| (Increase) decrease in interfund services provided                                                       | -                                             | -                                     | -                     | 792                               |
| (Increase) decrease in inventory                                                                         | -                                             | -                                     | -                     | 766                               |
| (Increase) decrease in prepaid expenses                                                                  | -                                             | (4)                                   | (4)                   | (901)                             |
| (Increase) decrease in claims payable                                                                    | -                                             | (4,007)                               | (4,007)               | -                                 |
| Increase (decrease) in health and disability benefits payable                                            | -                                             | -                                     | -                     | 1,992                             |
| Increase (decrease) in accounts payable                                                                  | (11)                                          | (36)                                  | (47)                  | (3,980)                           |
| Increase (decrease) in deferred revenue                                                                  | -                                             | (696)                                 | (696)                 | (495)                             |
| Increase (decrease) in salaries payable                                                                  | -                                             | 57                                    | 57                    | 60                                |
| Increase (decrease) in compensated absences                                                              | -                                             | 86                                    | 86                    | 178                               |
| Increase (decrease) in other payables                                                                    | -                                             | 107                                   | 107                   | (3)                               |
| Net cash provided (used) by operating activities                                                         | <u>\$ (1,125,286)</u>                         | <u>\$ (1,073)</u>                     | <u>\$ (1,126,359)</u> | <u>\$ 17,177</u>                  |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                                  | Pension and Other<br>Employee Benefit<br>Trust Funds | Private-Purpose<br>Trust Funds | Investment Trust<br>Fund | Agency Funds      |
|------------------------------------------------------------------|------------------------------------------------------|--------------------------------|--------------------------|-------------------|
| <b>Assets:</b>                                                   |                                                      |                                |                          |                   |
| Cash, cash equivalents and non-pension investments               | \$ 1,811,649                                         | \$ 32,183                      | \$ -                     | \$ 595,776        |
| Securities lending collateral                                    | 2,519,391                                            | 8,500                          | 2,801                    | 45,500            |
| Receivables:                                                     |                                                      |                                |                          |                   |
| Taxes                                                            | -                                                    | -                              | -                        | 13,582            |
| Contributions                                                    | 206,522                                              | -                              | -                        | -                 |
| Interest                                                         | 80,681                                               | 13                             | 138                      | -                 |
| Securities lending                                               | -                                                    | 24                             | -                        | 194               |
| Member loans                                                     | 1,948                                                | -                              | -                        | -                 |
| Due from other funds                                             | 19,662                                               | -                              | -                        | -                 |
| Due from component unit                                          | 2,251                                                | -                              | -                        | -                 |
| From investment sales                                            | 1,336,661                                            | -                              | -                        | -                 |
| Other                                                            | 682                                                  | -                              | -                        | 57                |
| Total receivables                                                | 1,648,407                                            | 37                             | 138                      | 13,833            |
| Prepaid expenses                                                 | 29                                                   | -                              | -                        | -                 |
| Pension and other employee benefit investments at fair value:    |                                                      |                                |                          |                   |
| Equity Securities                                                | 7,100,640                                            | -                              | -                        | -                 |
| Debt Securities                                                  | 7,298,857                                            | -                              | -                        | -                 |
| Mutual Funds and Collective Trust Funds                          | 2,312,106                                            | -                              | -                        | -                 |
| Other                                                            | 1,895,127                                            | -                              | -                        | -                 |
| Total investments                                                | 18,606,730                                           | -                              | -                        | -                 |
| Pool Investments at Amortized Cost:                              |                                                      |                                |                          |                   |
| Cash and cash equivalents                                        | -                                                    | -                              | 177,449                  | -                 |
| Money Market Mutual Funds                                        | -                                                    | -                              | 81,403                   | -                 |
| U.S. Government Agencies                                         | -                                                    | -                              | 16,023                   | -                 |
| Commercial Paper                                                 | -                                                    | -                              | 18,669                   | -                 |
| Total investments                                                | -                                                    | -                              | 293,544                  | -                 |
| Property, plant and equipment<br>net of accumulated depreciation | 7,547                                                | -                              | -                        | -                 |
| <b>Total assets</b>                                              | <b>24,593,753</b>                                    | <b>40,720</b>                  | <b>296,483</b>           | <b>655,109</b>    |
| <b>Liabilities:</b>                                              |                                                      |                                |                          |                   |
| Accounts/escrows payable                                         | 22,396                                               | 4,008                          | -                        | 595,833           |
| Salaries and benefits payable                                    | 938                                                  | -                              | -                        | -                 |
| Management fee payable                                           | -                                                    | -                              | 18                       | -                 |
| Due to other funds                                               | 19,662                                               | -                              | -                        | -                 |
| Securities lending payable                                       | -                                                    | 24                             | -                        | 194               |
| Benefits payable                                                 | 67,611                                               | -                              | -                        | -                 |
| Distributions payable                                            | -                                                    | -                              | 3                        | -                 |
| Due to component unit                                            | 2,251                                                | -                              | -                        | -                 |
| Deferred revenue                                                 | 40,052                                               | -                              | -                        | -                 |
| Compensated absences                                             | 373                                                  | -                              | -                        | -                 |
| Investment purchases payable                                     | 1,881,483                                            | -                              | -                        | -                 |
| Securities purchased payable                                     | 2,519,391                                            | -                              | -                        | -                 |
| Securities lending collateral                                    | -                                                    | 8,500                          | 2,801                    | 45,500            |
| Other                                                            | -                                                    | -                              | 13                       | 13,582            |
| <b>Total liabilities</b>                                         | <b>4,554,157</b>                                     | <b>12,532</b>                  | <b>2,835</b>             | <b>\$ 655,109</b> |
| <b>Net assets:</b>                                               |                                                      |                                |                          |                   |
| Held in trust for:                                               |                                                      |                                |                          |                   |
| Employees' pension benefits                                      | 19,803,170                                           | -                              | -                        | -                 |
| OPEB benefits                                                    | 121,577                                              | -                              | -                        | -                 |
| Future death benefits                                            | 9,408                                                | -                              | -                        | -                 |
| State and local units                                            | 105,441                                              | -                              | -                        | -                 |
| Trust beneficiaries                                              | -                                                    | 28,188                         | -                        | -                 |
| Local government investment pool participants                    | -                                                    | -                              | 293,648                  | -                 |
| <b>Total net assets</b>                                          | <b>\$ 20,039,596</b>                                 | <b>\$ 28,188</b>               | <b>\$ 293,648</b>        |                   |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                      | <b>Pension and Other<br/>Employee Benefit<br/>Trust Funds</b> | <b>Private-Purpose<br/>Trust Funds</b> | <b>Investment Trust<br/>Fund</b> |
|------------------------------------------------------|---------------------------------------------------------------|----------------------------------------|----------------------------------|
| <b>Additions:</b>                                    |                                                               |                                        |                                  |
| Member contributions                                 | \$ 336,996                                                    | \$ 82,852                              | \$ 1,469,663                     |
| Employer contributions                               | 1,380,919                                                     | -                                      | -                                |
| Contributions from the State of Indiana              | 140,072                                                       | -                                      | -                                |
| Net investment income (loss)                         | (4,578,959)                                                   | 276                                    | 4,831                            |
| Grants                                               | -                                                             | 4                                      | -                                |
| Less investment expense                              | (122,414)                                                     | -                                      | (31)                             |
| Donations/escheats                                   | -                                                             | 72,618                                 | -                                |
| Transfers in                                         | 7,662                                                         | -                                      | -                                |
| Reinvestment of distributions                        | -                                                             | -                                      | 4,458                            |
| Other                                                | 166                                                           | -                                      | -                                |
| <b>Total additions</b>                               | <b>(2,835,558)</b>                                            | <b>155,750</b>                         | <b>1,478,921</b>                 |
| <b>Deductions:</b>                                   |                                                               |                                        |                                  |
| Pension and disability benefits                      | 1,571,787                                                     | -                                      | -                                |
| Retiree health benefits                              | 3,373                                                         | -                                      | -                                |
| Death benefits                                       | 806                                                           | -                                      | -                                |
| Payments to participants/beneficiaries               | -                                                             | 165,650                                | 4,449                            |
| Refunds of contributions and interest                | 50,355                                                        | -                                      | 1,371,619                        |
| Administrative                                       | 34,492                                                        | -                                      | 240                              |
| Pension relief distributions                         | 167,279                                                       | -                                      | -                                |
| Capital projects                                     | 2,183                                                         | -                                      | -                                |
| Depreciation                                         | 1                                                             | -                                      | -                                |
| Transfers out                                        | 7,662                                                         | -                                      | -                                |
| Other                                                | 4,020                                                         | -                                      | 119                              |
| <b>Total deductions</b>                              | <b>1,841,958</b>                                              | <b>165,650</b>                         | <b>1,376,427</b>                 |
| <b>Net increase (decrease) in net assets</b>         | <b>(4,677,516)</b>                                            | <b>(9,900)</b>                         | <b>102,494</b>                   |
| <b>Net assets held in trust, July 1, as restated</b> | <b>24,717,112</b>                                             | <b>38,088</b>                          | <b>191,154</b>                   |
| <b>Net assets held in trust, June 30</b>             | <b>\$ 20,039,596</b>                                          | <b>\$ 28,188</b>                       | <b>\$ 293,648</b>                |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units**  
**June 30, 2009**  
**(amounts expressed in thousands)**

|                                                     | Proprietary         | Colleges and Universities | Total               |
|-----------------------------------------------------|---------------------|---------------------------|---------------------|
| <b>Assets:</b>                                      |                     |                           |                     |
| Current assets:                                     |                     |                           |                     |
| Cash, cash equivalents and investments              | \$ 2,006,106        | \$ 1,601,067              | \$ 3,607,173        |
| Securities lending collateral                       | 122,675             | 307,617                   | 430,292             |
| Receivables (net)                                   | 331,249             | 377,573                   | 708,822             |
| Inventory                                           | 413                 | 16,979                    | 17,392              |
| Prepaid expenses                                    | 3,947               | 21,630                    | 25,577              |
| Intergovernmental loans                             | 815,679             | -                         | 815,679             |
| Investment in direct financing lease                | 56,643              | -                         | 56,643              |
| Funds held in trust by others                       | -                   | 78,029                    | 78,029              |
| Other postemployment benefits                       | -                   | 7,442                     | 7,442               |
| Other current assets                                | 25,072              | 66,233                    | 91,305              |
| Total current assets                                | 3,361,784           | 2,476,570                 | 5,838,354           |
| Noncurrent assets:                                  |                     |                           |                     |
| Cash, cash equivalents and investments - restricted | 481,499             | 1,685,472                 | 2,166,971           |
| Taxes, interest, and penalties receivable           | 5,117               | -                         | 5,117               |
| Other receivables                                   | 4,511,782           | 348,095                   | 4,859,877           |
| Investments - unrestricted                          | 562,886             | 2,974,371                 | 3,537,257           |
| Bond issuance costs net of amortization             | 48,689              | 310                       | 48,999              |
| Intergovernmental loans                             | 1,813,270           | -                         | 1,813,270           |
| Due from primary government                         | 50,000              | -                         | 50,000              |
| Investment in direct financing lease                | 2,054,022           | -                         | 2,054,022           |
| Net pension assets                                  | 89                  | -                         | 89                  |
| Other postemployment benefits                       | -                   | 1,413                     | 1,413               |
| Other noncurrent assets                             | 7,577               | 49,718                    | 57,295              |
| Capital assets:                                     |                     |                           |                     |
| Land                                                | 231,063             | 190,504                   | 421,567             |
| Infrastructure                                      | 328,822             | 287,178                   | 616,000             |
| Construction in progress                            | 294,542             | 640,133                   | 934,675             |
| Property, plant, and equipment                      | 1,377,908           | 8,038,223                 | 9,416,131           |
| Less accumulated depreciation                       | (493,193)           | (3,693,613)               | (4,186,806)         |
| Capital assets, net of accumulated depreciation     | 1,739,142           | 5,462,425                 | 7,201,567           |
| Total noncurrent assets                             | 11,274,073          | 10,521,804                | 21,795,877          |
| <b>Total assets</b>                                 | <b>14,635,857</b>   | <b>12,998,374</b>         | <b>27,634,231</b>   |
| <b>Liabilities:</b>                                 |                     |                           |                     |
| Current liabilities:                                |                     |                           |                     |
| Accounts payable                                    | 49,199              | 332,151                   | 381,350             |
| Claims payable                                      | 13,664              | -                         | 13,664              |
| Interest payable                                    | 135,996             | 3,343                     | 139,339             |
| Current portion of long-term debt                   | 1,144,581           | 358,441                   | 1,503,022           |
| Line of credit                                      | 350,000             | -                         | 350,000             |
| Due to primary government                           | 32,258              | -                         | 32,258              |
| Capital lease payable                               | -                   | 1,261                     | 1,261               |
| Accrued prize liability                             | 52,175              | -                         | 52,175              |
| Salaries, health, disability, and benefits payable  | 279                 | 26,986                    | 27,265              |
| Deferred revenue                                    | 72,442              | 212,115                   | 284,557             |
| Accrued liability for compensated absences          | 203                 | 67,634                    | 67,837              |
| Securities lending collateral                       | 122,675             | 307,617                   | 430,292             |
| Deposits held in custody for others                 | 25,722              | 41,732                    | 67,454              |
| Other current liabilities                           | 13,317              | 53,555                    | 66,872              |
| Total current liabilities                           | 2,012,511           | 1,404,835                 | 3,417,346           |
| Long-term liabilities:                              |                     |                           |                     |
| Accrued liability for compensated absences          | 243                 | 66,179                    | 66,422              |
| Accrued prize liability                             | 100,850             | -                         | 100,850             |
| Other postemployment benefits                       | -                   | 27,557                    | 27,557              |
| Pollution remediation payable                       | 4,289               | -                         | 4,289               |
| Deferred revenue                                    | 3,553,111           | 40,535                    | 3,593,646           |
| Capital lease payable                               | -                   | 2,730                     | 2,730               |
| Funds held in trust for others                      | -                   | 146,719                   | 146,719             |
| Advances from federal government                    | 6,179               | 28,789                    | 34,968              |
| Revenue bonds/notes payable                         | 9,623,887           | 2,143,314                 | 11,767,201          |
| Other noncurrent liabilities                        | 5,232               | 93,085                    | 98,317              |
| Total long-term liabilities                         | 13,293,791          | 2,548,908                 | 15,842,699          |
| <b>Total liabilities</b>                            | <b>15,306,302</b>   | <b>3,953,743</b>          | <b>19,260,045</b>   |
| <b>Net Assets:</b>                                  |                     |                           |                     |
| Invested in capital assets net of related debt      | 305,588             | 3,196,336                 | 3,501,924           |
| Restricted-nonexpendable:                           |                     |                           |                     |
| Grants/constitutional restrictions                  | 9,031               | -                         | 9,031               |
| Permanent funds                                     | -                   | 19,088                    | 19,088              |
| Future debt service                                 | 163,704             | -                         | 163,704             |
| Instruction and research                            | -                   | 213,252                   | 213,252             |
| Student aid                                         | -                   | 197,481                   | 197,481             |
| Other purposes                                      | -                   | 28,486                    | 28,486              |
| Total restricted-nonexpendable                      | 172,735             | 458,307                   | 631,042             |
| Restricted-expendable:                              |                     |                           |                     |
| Instruction and research                            | -                   | 444,089                   | 444,089             |
| Grants/constitutional restrictions                  | -                   | 18,879                    | 18,879              |
| Endowments                                          | -                   | 296,880                   | 296,880             |
| Future debt service                                 | 196,859             | 8,377                     | 205,236             |
| Pension fund distribution                           | 8,239               | -                         | 8,239               |
| Public safety programs                              | -                   | 8,027                     | 8,027               |
| Student aid                                         | -                   | 601,673                   | 601,673             |
| Auxiliary enterprises                               | 71                  | 7,055                     | 7,126               |
| Capital projects                                    | 40,436              | 219,316                   | 259,752             |
| Water pollution and drinking water projects         | 1,003,399           | -                         | 1,003,399           |
| Other purposes                                      | 1,687               | 90,128                    | 91,815              |
| Total restricted-expendable                         | 1,250,691           | 1,694,424                 | 2,945,115           |
| Unrestricted                                        | (2,399,459)         | 3,695,564                 | 1,296,105           |
| <b>Total net assets</b>                             | <b>\$ (670,445)</b> | <b>\$ 9,044,631</b>       | <b>\$ 8,374,186</b> |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Activities**  
**Discretely Presented Component Units**  
**For the Fiscal Year Ended June 30, 2009**  
**(amounts expressed in thousands)**

|                                     | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |              |                           |
|-------------------------------------|------------------|----------------------|------------------------------------|-------------------------------------------------|--------------|---------------------------|
|                                     | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Proprietary  | Colleges and Universities |
| Proprietary                         | \$ 1,854,609     | \$ 1,327,939         | \$ 543,171                         | \$ 4,501                                        | \$ 21,002    | \$ -                      |
| Colleges and universities           | 5,600,454        | 2,802,035            | 1,005,605                          | 60,161                                          | -            | (1,732,653)               |
| Total component units               | \$ 7,455,063     | \$ 4,129,974         | \$ 1,548,776                       | \$ 64,662                                       | 21,002       | (1,732,653)               |
| General Revenues:                   |                  |                      |                                    |                                                 |              |                           |
|                                     |                  |                      |                                    |                                                 | 189,050      | (666,535)                 |
| Investment earnings                 |                  |                      |                                    |                                                 | 9,926        | 1,478,117                 |
| Payments from State of Indiana      |                  |                      |                                    |                                                 | 1,280        | 401,767                   |
| Other                               |                  |                      |                                    |                                                 | 200,256      | 1,213,349                 |
| Total general revenues              |                  |                      |                                    |                                                 | 221,258      | (519,304)                 |
| Change in net assets                |                  |                      |                                    |                                                 | (891,703)    | 9,563,935                 |
| Net assets - beginning, as restated |                  |                      |                                    |                                                 | \$ (670,445) | \$ 9,044,631              |
| Net assets - ending                 |                  |                      |                                    |                                                 |              | \$ 8,374,186              |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Indiana Finance Authority | Indiana Bond Bank | Indiana Housing and<br>Community Development<br>Authority | Board for Depositories | Secondary Market for<br>Education Loans |
|-----------------------------------------------------|---------------------------|-------------------|-----------------------------------------------------------|------------------------|-----------------------------------------|
| <b>Assets</b>                                       |                           |                   |                                                           |                        |                                         |
| Current assets:                                     |                           |                   |                                                           |                        |                                         |
| Cash, cash equivalents and investments              | \$ 918,078                | \$ 77,133         | \$ 426,709                                                | \$ 150,014             | \$ 71,436                               |
| Securities lending collateral                       | -                         | -                 | -                                                         | 122,675                | -                                       |
| Receivables (net)                                   | 159,075                   | 27,119            | 429                                                       | 849                    | 117,274                                 |
| Inventory                                           | -                         | -                 | -                                                         | -                      | -                                       |
| Prepaid expenses                                    | -                         | -                 | -                                                         | -                      | -                                       |
| Intergovernmental loans                             | -                         | 815,679           | -                                                         | -                      | -                                       |
| Investment in direct financing lease                | 56,500                    | -                 | -                                                         | -                      | -                                       |
| Other current assets                                | 168                       | -                 | 22,302                                                    | -                      | 2,602                                   |
| <b>Total current assets</b>                         | <b>1,133,821</b>          | <b>919,931</b>    | <b>449,440</b>                                            | <b>273,538</b>         | <b>191,312</b>                          |
| Noncurrent assets:                                  |                           |                   |                                                           |                        |                                         |
| Cash, cash equivalents and investments - restricted | -                         | 36,256            | 327,462                                                   | -                      | -                                       |
| Taxes, interest, and penalties receivable           | -                         | -                 | 5,117                                                     | -                      | -                                       |
| Loans receivable                                    | 2,671,664                 | -                 | 1,158,050                                                 | -                      | 1,669,116                               |
| Investments - unrestricted                          | 455,483                   | -                 | -                                                         | 107,403                | -                                       |
| Bond issuance costs, net of amortization            | 15,323                    | 22,896            | 9,969                                                     | -                      | -                                       |
| Intergovernmental loans                             | -                         | 1,813,270         | -                                                         | -                      | -                                       |
| Due from primary government                         | -                         | -                 | -                                                         | 50,000                 | -                                       |
| Investment in direct financing lease                | 1,386,815                 | -                 | -                                                         | -                      | -                                       |
| Net pension assets                                  | -                         | -                 | -                                                         | -                      | -                                       |
| Other noncurrent assets                             | 144                       | -                 | -                                                         | 11                     | 7,422                                   |
| Capital assets:                                     |                           |                   |                                                           |                        |                                         |
| Land                                                | 85,885                    | -                 | -                                                         | -                      | -                                       |
| Infrastructure                                      | 276,378                   | -                 | -                                                         | -                      | -                                       |
| Construction in progress                            | 154,578                   | -                 | -                                                         | -                      | -                                       |
| Property, plant, and equipment                      | 1,230,292                 | -                 | 3,285                                                     | 202                    | 2,294                                   |
| Less accumulated depreciation                       | (377,643)                 | -                 | (2,181)                                                   | (181)                  | (1,336)                                 |
| <b>Total capital assets, net of depreciation</b>    | <b>1,369,490</b>          | <b>-</b>          | <b>1,104</b>                                              | <b>21</b>              | <b>958</b>                              |
| <b>Total noncurrent assets</b>                      | <b>5,898,919</b>          | <b>1,872,422</b>  | <b>1,501,702</b>                                          | <b>157,435</b>         | <b>1,677,496</b>                        |
| <b>Total assets</b>                                 | <b>7,032,740</b>          | <b>2,792,353</b>  | <b>1,951,142</b>                                          | <b>430,973</b>         | <b>1,868,808</b>                        |
| <b>Liabilities</b>                                  |                           |                   |                                                           |                        |                                         |
| Current liabilities:                                |                           |                   |                                                           |                        |                                         |
| Accounts payable                                    | 4,721                     | 544               | 1,472                                                     | 72                     | 8,338                                   |
| Claims payable                                      | -                         | -                 | -                                                         | -                      | -                                       |
| Interest payable                                    | 64,991                    | 41,202            | 29,020                                                    | -                      | 457                                     |
| Current portion of long-term debt                   | 194,800                   | 844,535           | 103,736                                                   | -                      | -                                       |
| Line of credit                                      | -                         | -                 | 350,000                                                   | -                      | -                                       |
| Due to primary government                           | 201                       | -                 | -                                                         | -                      | -                                       |
| Accrued prize liability                             | -                         | -                 | -                                                         | -                      | -                                       |
| Salaries, health, disability, and benefits payable  | -                         | -                 | -                                                         | -                      | -                                       |
| Deferred revenue                                    | 63,559                    | -                 | -                                                         | -                      | -                                       |
| Accrued liability for compensated absences          | -                         | -                 | -                                                         | -                      | -                                       |
| Securities lending collateral                       | -                         | -                 | -                                                         | 122,675                | -                                       |
| Deposits held in custody for others                 | -                         | 25,551            | 171                                                       | -                      | -                                       |
| Other current liabilities                           | 2,770                     | -                 | 8,080                                                     | 3                      | -                                       |
| <b>Total current liabilities</b>                    | <b>331,042</b>            | <b>911,832</b>    | <b>492,479</b>                                            | <b>122,750</b>         | <b>8,795</b>                            |
| Long-term liabilities:                              |                           |                   |                                                           |                        |                                         |
| Accrued liability for compensated absences          | -                         | -                 | -                                                         | -                      | -                                       |
| Accrued prize liability                             | -                         | -                 | -                                                         | -                      | -                                       |
| Pollution remediation payable                       | 4,289                     | -                 | -                                                         | -                      | -                                       |
| Deferred revenue                                    | 3,545,081                 | 493               | -                                                         | -                      | -                                       |
| Advances from federal government                    | 6,179                     | -                 | -                                                         | -                      | -                                       |
| Revenue bonds/notes payable                         | 4,775,544                 | 1,862,440         | 1,201,204                                                 | -                      | 1,770,350                               |
| Other noncurrent liabilities                        | -                         | -                 | 1,198                                                     | -                      | 4,034                                   |
| <b>Total long-term liabilities</b>                  | <b>8,331,093</b>          | <b>1,862,933</b>  | <b>1,202,402</b>                                          | <b>-</b>               | <b>1,774,384</b>                        |
| <b>Total liabilities</b>                            | <b>8,662,135</b>          | <b>2,774,765</b>  | <b>1,694,881</b>                                          | <b>122,750</b>         | <b>1,783,179</b>                        |
| <b>Net assets</b>                                   |                           |                   |                                                           |                        |                                         |
| Invested in capital assets net of related debt      | 90,472                    | -                 | 1,104                                                     | 21                     | 958                                     |
| Restricted-nonexpendable                            |                           |                   |                                                           |                        |                                         |
| Grants/constitutional restrictions                  | -                         | -                 | 8,480                                                     | -                      | -                                       |
| Future debt service                                 | -                         | -                 | 163,704                                                   | -                      | -                                       |
| Total restricted-nonexpendable                      | -                         | -                 | 172,184                                                   | -                      | -                                       |
| Restricted-expendable                               |                           |                   |                                                           |                        |                                         |
| Future debt service                                 | 175,555                   | 2,264             | -                                                         | -                      | 14,656                                  |
| Pension fund distribution                           | -                         | -                 | -                                                         | 8,239                  | -                                       |
| Auxiliary enterprises                               | -                         | -                 | -                                                         | -                      | -                                       |
| Capital projects                                    | -                         | -                 | -                                                         | -                      | -                                       |
| Water pollution and drinking water projects         | 1,003,399                 | -                 | -                                                         | -                      | -                                       |
| Other purposes                                      | -                         | -                 | -                                                         | -                      | -                                       |
| Total restricted-expendable                         | 1,178,954                 | 2,264             | -                                                         | 8,239                  | 14,656                                  |
| Unrestricted (deficit)                              | (2,898,821)               | 15,324            | 82,973                                                    | 299,963                | 70,015                                  |
| <b>Total net assets</b>                             | <b>\$ (1,629,395)</b>     | <b>\$ 17,588</b>  | <b>\$ 256,261</b>                                         | <b>\$ 308,223</b>      | <b>\$ 85,629</b>                        |

The notes to the financial statements are an integral part of this statement.

continued on next page

| State Lottery Commission | Indiana Stadium and<br>Convention Building<br>Authority | Non-Major  | IFA & ISCBA Elimination | Total Component Units |
|--------------------------|---------------------------------------------------------|------------|-------------------------|-----------------------|
| \$ 71,622                | \$ 237,006                                              | \$ 54,108  | \$ -                    | \$ 2,006,106          |
| -                        | -                                                       | -          | -                       | 122,675               |
| 24,585                   | 8,241                                                   | 5,442      | (11,765)                | 331,249               |
| 402                      | -                                                       | 11         | -                       | 413                   |
| 3,532                    | -                                                       | 415        | -                       | 3,947                 |
| -                        | -                                                       | -          | -                       | 815,679               |
| -                        | -                                                       | 143        | -                       | 56,643                |
| -                        | -                                                       | -          | -                       | 25,072                |
| 100,141                  | 245,247                                                 | 60,119     | (11,765)                | 3,361,784             |
| 110,400                  | -                                                       | 7,381      | -                       | 481,499               |
| -                        | -                                                       | -          | -                       | 5,117                 |
| -                        | -                                                       | -          | (987,048)               | 4,511,782             |
| -                        | -                                                       | -          | -                       | 562,886               |
| -                        | -                                                       | 501        | -                       | 48,689                |
| -                        | -                                                       | -          | -                       | 1,813,270             |
| -                        | -                                                       | -          | -                       | 50,000                |
| -                        | 666,525                                                 | 682        | -                       | 2,054,022             |
| -                        | -                                                       | 89         | -                       | 89                    |
| -                        | -                                                       | -          | -                       | 7,577                 |
| -                        | -                                                       | 145,178    | -                       | 231,063               |
| -                        | -                                                       | 52,444     | -                       | 328,822               |
| -                        | 138,630                                                 | 1,334      | -                       | 294,542               |
| 6,531                    | -                                                       | 135,304    | -                       | 1,377,908             |
| (4,322)                  | -                                                       | (107,530)  | -                       | (493,193)             |
| 2,209                    | 138,630                                                 | 226,730    | -                       | 1,739,142             |
| 112,609                  | 805,155                                                 | 235,383    | (987,048)               | 11,274,073            |
| 212,750                  | 1,050,402                                               | 295,502    | (998,813)               | 14,635,857            |
| 20,308                   | 11,787                                                  | 1,957      | -                       | 49,199                |
| -                        | -                                                       | 13,664     | -                       | 13,664                |
| -                        | 3,200                                                   | 326        | (3,200)                 | 135,996               |
| -                        | 8,565                                                   | 1,510      | (8,565)                 | 1,144,581             |
| -                        | -                                                       | -          | -                       | 350,000               |
| 32,057                   | -                                                       | -          | -                       | 32,258                |
| 52,175                   | -                                                       | -          | -                       | 52,175                |
| -                        | -                                                       | 279        | -                       | 279                   |
| 920                      | -                                                       | 7,963      | -                       | 72,442                |
| -                        | -                                                       | 203        | -                       | 203                   |
| -                        | -                                                       | -          | -                       | 122,675               |
| -                        | -                                                       | -          | -                       | 25,722                |
| 1,440                    | -                                                       | 1,024      | -                       | 13,317                |
| 106,900                  | 23,552                                                  | 26,926     | (11,765)                | 2,012,511             |
| -                        | -                                                       | 243        | -                       | 243                   |
| 100,850                  | -                                                       | -          | -                       | 100,850               |
| -                        | -                                                       | -          | -                       | 4,289                 |
| -                        | 2,537                                                   | 5,000      | -                       | 3,553,111             |
| -                        | -                                                       | -          | -                       | 6,179                 |
| -                        | 987,048                                                 | 14,349     | (987,048)               | 9,623,887             |
| -                        | -                                                       | -          | -                       | 5,232                 |
| 100,850                  | 989,585                                                 | 19,592     | (987,048)               | 13,293,791            |
| 207,750                  | 1,013,137                                               | 46,518     | (998,813)               | 15,306,302            |
| 2,209                    | -                                                       | 210,824    | -                       | 305,588               |
| -                        | -                                                       | 551        | -                       | 9,031                 |
| -                        | -                                                       | -          | -                       | 163,704               |
| -                        | -                                                       | 551        | -                       | 172,735               |
| -                        | -                                                       | 4,384      | -                       | 196,859               |
| -                        | -                                                       | -          | -                       | 8,239                 |
| -                        | -                                                       | 71         | -                       | 71                    |
| -                        | 37,265                                                  | 3,171      | -                       | 40,436                |
| -                        | -                                                       | -          | -                       | 1,003,399             |
| -                        | -                                                       | 1,687      | -                       | 1,687                 |
| -                        | 37,265                                                  | 9,313      | -                       | 1,250,691             |
| 2,791                    | -                                                       | 28,296     | -                       | (2,399,459)           |
| \$ 5,000                 | \$ 37,265                                               | \$ 248,984 | \$ -                    | \$ (670,445)          |



**State of Indiana**  
**Combining Statement of Activities**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                           | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                           |                   |                                                     |
|-----------------------------------------------------------|------------------|----------------------|------------------------------------|-------------------------------------------------|---------------------------|-------------------|-----------------------------------------------------|
|                                                           | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Indiana Finance Authority | Indiana Bond Bank | Indiana Housing and Community Development Authority |
| Indiana Finance Authority (IFA)                           | \$ 322,505       | \$ 453,322           | \$ 31,617                          | \$ -                                            | \$ 162,434                | \$ -              | \$ -                                                |
| Indiana Bond Bank                                         | 124,032          | 1,033                | 124,930                            | -                                               | -                         | 1,931             | -                                                   |
| Indiana Housing and Community Development Authority       | 388,683          | 73,939               | 297,380                            | -                                               | -                         | -                 | (17,364)                                            |
| Board for Depositories                                    | 16,414           | -                    | 10,036                             | -                                               | -                         | -                 | -                                                   |
| Secondary Market for Educational Loans                    | 48,188           | -                    | 65,038                             | -                                               | -                         | -                 | -                                                   |
| State Lottery Commission                                  | 733,562          | 732,904              | -                                  | -                                               | -                         | -                 | -                                                   |
| Indiana Stadium and Convention Building Authority (ISCBA) | 132,883          | -                    | 12,043                             | 4,171                                           | -                         | -                 | -                                                   |
| Non-Major Proprietary                                     | 138,126          | 119,763              | 2,127                              | 330                                             | -                         | -                 | -                                                   |
| IFA & ISCBA Interfund Eliminations                        | (49,784)         | (53,022)             | -                                  | -                                               | -                         | -                 | -                                                   |
| Total component units                                     | \$ 1,854,609     | \$ 1,327,939         | \$ 543,171                         | \$ 4,501                                        | 162,434                   | 1,931             | (17,364)                                            |
| General revenues:                                         |                  |                      |                                    |                                                 |                           |                   |                                                     |
| Investment earnings                                       |                  |                      |                                    |                                                 | 108,355                   | 472               | 74,928                                              |
| Payments from State of Indiana                            |                  |                      |                                    |                                                 | -                         | -                 | -                                                   |
| Other                                                     |                  |                      |                                    |                                                 | -                         | -                 | -                                                   |
| Total general revenues                                    |                  |                      |                                    |                                                 | 108,355                   | 472               | 74,928                                              |
| Change in net assets                                      |                  |                      |                                    |                                                 | 270,789                   | 2,403             | 57,564                                              |
| Net assets - beginning, as restated                       |                  |                      |                                    |                                                 | (1,900,184)               | 15,185            | 198,697                                             |
| Net assets - ending                                       |                  |                      |                                    |                                                 | \$ (1,629,395)            | \$ 17,588         | \$ 256,261                                          |

continued on next page

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Activities**  
**Discretely Presented Component Units -**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2008**  
(amounts expressed in thousands)

|                                                           | Net (Expense) Revenue and Changes in Net Assets |                                               |                             |                                                               |            |                                          |
|-----------------------------------------------------------|-------------------------------------------------|-----------------------------------------------|-----------------------------|---------------------------------------------------------------|------------|------------------------------------------|
|                                                           | Board for<br>Depositories                       | Secondary<br>Market for<br>Education<br>Loans | State Lottery<br>Commission | Indiana<br>Stadium and<br>Convention<br>Building<br>Authority | Non-Major  | IFA & ISCBA<br>Interfund<br>Eliminations |
| Indiana Finance Authority (IFA)                           | \$ -                                            | \$ -                                          | \$ -                        | \$ -                                                          | \$ -       | \$ 162,434                               |
| Indiana Bond Bank                                         | -                                               | -                                             | -                           | -                                                             | -          | 1,931                                    |
| Indiana Housing and Community Development Authority       | -                                               | -                                             | -                           | -                                                             | -          | (17,364)                                 |
| Board for Depositories                                    | (6,378)                                         | -                                             | -                           | -                                                             | -          | (6,378)                                  |
| Secondary Market for Educational Loans                    | -                                               | 16,850                                        | -                           | -                                                             | -          | 16,850                                   |
| State Lottery Commission                                  | -                                               | -                                             | (658)                       | -                                                             | -          | (658)                                    |
| Indiana Stadium and Convention Building Authority (ISCBA) | -                                               | -                                             | -                           | (116,669)                                                     | -          | (116,669)                                |
| Non-Major Proprietary                                     | -                                               | -                                             | -                           | -                                                             | (15,906)   | (15,906)                                 |
| IFA and ISCBA Interfund Eliminations                      | -                                               | -                                             | -                           | -                                                             | -          | (3,238)                                  |
| Total component units                                     | (6,378)                                         | 16,850                                        | (658)                       | (116,669)                                                     | (15,906)   | 21,002                                   |
| General revenues:                                         |                                                 |                                               |                             |                                                               |            |                                          |
| Investment earnings                                       | -                                               | -                                             | 658                         | -                                                             | 1,399      | 189,050                                  |
| Payments from State of Indiana                            | -                                               | -                                             | -                           | -                                                             | 9,926      | 9,926                                    |
| Other                                                     | -                                               | -                                             | -                           | -                                                             | 1,280      | 1,280                                    |
| Total general revenues                                    | -                                               | -                                             | 658                         | -                                                             | 12,605     | 200,256                                  |
| Change in net assets                                      | (6,378)                                         | 16,850                                        | -                           | (116,669)                                                     | (3,301)    | 221,258                                  |
| Net assets - beginning, as restated                       | 314,601                                         | 68,779                                        | 5,000                       | 153,934                                                       | 252,285    | (891,703)                                |
| Net assets - ending                                       | \$ 308,223                                      | \$ 85,629                                     | \$ 5,000                    | \$ 37,265                                                     | \$ 248,984 | \$ (670,445)                             |

**State of Indiana**  
**Combining Statement of Net Assets**  
**Discretely Presented Component Units -**  
**Colleges and Universities**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Indiana University  | Purdue University   | Non-Major Colleges and Universities | Totals              |
|-----------------------------------------------------|---------------------|---------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                       |                     |                     |                                     |                     |
| Current assets:                                     |                     |                     |                                     |                     |
| Cash, cash equivalents and investments              | \$ 746,942          | \$ 445,970          | \$ 408,155                          | \$ 1,601,067        |
| Securities lending collateral                       | 169,680             | 137,937             | -                                   | 307,617             |
| Receivables (net)                                   | 121,242             | 124,710             | 131,621                             | 377,573             |
| Inventory                                           | 11,724              | -                   | 5,255                               | 16,979              |
| Prepaid expenses                                    | -                   | -                   | 21,630                              | 21,630              |
| Funds held in trust by others                       | -                   | -                   | 78,029                              | 78,029              |
| Other postemployment benefits                       | -                   | -                   | 7,442                               | 7,442               |
| Other current assets                                | 27,686              | 36,248              | 2,299                               | 66,233              |
| Total current assets                                | 1,077,274           | 744,865             | 654,431                             | 2,476,570           |
| Noncurrent assets:                                  |                     |                     |                                     |                     |
| Cash, cash equivalents and investments - restricted | -                   | 1,641,030           | 44,442                              | 1,685,472           |
| Other receivables                                   | 251,664             | 72,536              | 23,895                              | 348,095             |
| Investments - unrestricted                          | 1,743,308           | 611,357             | 619,706                             | 2,974,371           |
| Bond issuance costs net of amortization             | -                   | -                   | 310                                 | 310                 |
| Other postemployment benefits                       | -                   | -                   | 1,413                               | 1,413               |
| Other noncurrent assets                             | -                   | 33,328              | 16,390                              | 49,718              |
| Capital assets:                                     |                     |                     |                                     |                     |
| Land                                                | 53,057              | 23,256              | 114,191                             | 190,504             |
| Infrastructure                                      | 149,790             | 62,778              | 74,610                              | 287,178             |
| Construction in progress                            | 224,840             | 237,727             | 177,566                             | 640,133             |
| Property, plant, and equipment                      | 3,389,543           | 2,685,061           | 1,963,619                           | 8,038,223           |
| Less accumulated depreciation                       | (1,576,004)         | (1,271,682)         | (845,927)                           | (3,693,613)         |
| Total capital assets, net of depreciation           | 2,241,226           | 1,737,140           | 1,484,059                           | 5,462,425           |
| Total noncurrent assets                             | 4,236,198           | 4,095,391           | 2,190,215                           | 10,521,804          |
| <b>Total assets</b>                                 | <b>5,313,472</b>    | <b>4,840,256</b>    | <b>2,844,646</b>                    | <b>12,998,374</b>   |
| <b>Liabilities</b>                                  |                     |                     |                                     |                     |
| Current liabilities:                                |                     |                     |                                     |                     |
| Accounts payable                                    | 193,321             | 70,675              | 68,155                              | 332,151             |
| Interest payable                                    | -                   | -                   | 3,343                               | 3,343               |
| Current portion of long-term debt                   | 51,172              | 260,981             | 46,288                              | 358,441             |
| Capital lease payable                               | 1,242               | -                   | 19                                  | 1,261               |
| Salaries, health, disability, and benefits payable  | -                   | 12,189              | 14,797                              | 26,986              |
| Deferred revenue                                    | 139,630             | 40,117              | 32,368                              | 212,115             |
| Accrued liability for compensated absences          | 34,154              | 24,658              | 8,822                               | 67,634              |
| Securities lending collateral                       | 169,680             | 137,937             | -                                   | 307,617             |
| Deposits held in custody for others                 | -                   | 25,000              | 16,732                              | 41,732              |
| Other current liabilities                           | -                   | 33,080              | 20,475                              | 53,555              |
| Total current liabilities                           | 589,199             | 604,637             | 210,999                             | 1,404,835           |
| Long-term liabilities:                              |                     |                     |                                     |                     |
| Accrued liability for compensated absences          | 20,127              | 28,464              | 17,588                              | 66,179              |
| Other postemployment benefits                       | 8,657               | 12,138              | 6,762                               | 27,557              |
| Deferred revenue                                    | 40,097              | -                   | 438                                 | 40,535              |
| Capital lease payable                               | 2,730               | -                   | -                                   | 2,730               |
| Funds held in trust for others                      | 80,718              | 50,702              | 15,299                              | 146,719             |
| Advances from federal government                    | -                   | 19,918              | 8,871                               | 28,789              |
| Revenue bonds/notes payable                         | 771,860             | 646,110             | 725,344                             | 2,143,314           |
| Other noncurrent liabilities                        | 64,405              | 7,174               | 21,506                              | 93,085              |
| Total long-term liabilities                         | 988,594             | 764,506             | 795,808                             | 2,548,908           |
| <b>Total liabilities</b>                            | <b>1,577,793</b>    | <b>1,369,143</b>    | <b>1,006,807</b>                    | <b>3,953,743</b>    |
| <b>Net assets</b>                                   |                     |                     |                                     |                     |
| Invested in capital assets net of related debt      | 1,475,395           | 964,652             | 756,289                             | 3,196,336           |
| Restricted-nonexpendable                            |                     |                     |                                     |                     |
| Permanent funds                                     | 19,088              | -                   | -                                   | 19,088              |
| Instruction and research                            | -                   | 211,648             | 1,604                               | 213,252             |
| Student aid                                         | -                   | 162,723             | 34,758                              | 197,481             |
| Other purposes                                      | -                   | 23,654              | 4,832                               | 28,486              |
| Total restricted-nonexpendable                      | 19,088              | 398,025             | 41,194                              | 458,307             |
| Restricted-expendable                               |                     |                     |                                     |                     |
| Instruction and research                            | 92,627              | 261,193             | 90,269                              | 444,089             |
| Grants/constitutional restrictions                  | -                   | -                   | 18,879                              | 18,879              |
| Endowments                                          | -                   | 260,448             | 36,432                              | 296,880             |
| Future debt service                                 | 5,162               | -                   | 3,215                               | 8,377               |
| Public safety programs                              | -                   | -                   | 8,027                               | 8,027               |
| Student aid                                         | 24,239              | 477,810             | 99,624                              | 601,673             |
| Auxiliary enterprises                               | -                   | 3,799               | 3,256                               | 7,055               |
| Capital projects                                    | 16,595              | 68,832              | 133,889                             | 219,316             |
| Other purposes                                      | -                   | 69,009              | 21,119                              | 90,128              |
| Total restricted-expendable                         | 138,623             | 1,141,091           | 414,710                             | 1,694,424           |
| Unrestricted (deficit)                              | 2,102,573           | 967,345             | 625,646                             | 3,695,564           |
| <b>Total net assets</b>                             | <b>\$ 3,735,679</b> | <b>\$ 3,471,113</b> | <b>\$ 1,837,839</b>                 | <b>\$ 9,044,631</b> |

The notes to the financial statements are an integral part of this statement.

**State of Indiana**  
**Combining Statement of Activities**  
**Discretely Presented Component Units -**  
**Colleges and Universities**  
**For the Fiscal Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                     | Program Revenues    |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                     |                     |                                     |
|-------------------------------------|---------------------|----------------------|------------------------------------|-------------------------------------------------|---------------------|---------------------|-------------------------------------|
|                                     | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Indiana University  | Purdue University   | Non-Major Colleges and Universities |
| Indiana University                  | \$ 2,557,094        | \$ 1,427,347         | \$ 586,422                         | \$ 30,228                                       | \$ (513,097)        | \$ -                | \$ -                                |
| Purdue University                   | 1,738,718           | 857,764              | 314,473                            | 27,943                                          | -                   | (538,538)           | -                                   |
| Non-Major Colleges and Universities | 1,304,642           | 516,924              | 104,710                            | 1,990                                           | -                   | -                   | (681,018)                           |
| Total component units               | <u>\$ 5,600,454</u> | <u>\$ 2,802,035</u>  | <u>\$ 1,005,605</u>                | <u>\$ 60,161</u>                                | <u>(513,097)</u>    | <u>(538,538)</u>    | <u>(681,018)</u>                    |
|                                     |                     |                      |                                    |                                                 |                     |                     | <u>(1,732,653)</u>                  |
| General revenues:                   |                     |                      |                                    |                                                 |                     |                     |                                     |
| Investment earnings                 |                     |                      |                                    |                                                 | (313,795)           | (316,330)           | (36,410)                            |
| Payments from State of Indiana      |                     |                      |                                    |                                                 | 572,578             | 393,250             | 512,289                             |
| Other                               |                     |                      |                                    |                                                 | 71,325              | 116,589             | 213,853                             |
| Total general revenues              |                     |                      |                                    |                                                 | <u>330,108</u>      | <u>193,509</u>      | <u>689,732</u>                      |
| Change in net assets                |                     |                      |                                    |                                                 | (182,989)           | (345,029)           | 8,714                               |
| Net assets - beginning, as restated |                     |                      |                                    |                                                 | 3,918,668           | 3,816,142           | 1,829,125                           |
| Net assets - ending                 |                     |                      |                                    |                                                 | <u>\$ 3,735,679</u> | <u>\$ 3,471,113</u> | <u>\$ 1,837,839</u>                 |
|                                     |                     |                      |                                    |                                                 |                     |                     | <u>\$ 9,044,631</u>                 |

The notes to the financial statements are an integral part of this statement.



# NOTES TO THE FINANCIAL STATEMENTS



## STATE OF INDIANA

Notes to the Financial Statements  
June 30, 2009

|                                                                                                                                                        |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| I. Summary of Significant Accounting Policies .....                                                                                                    | 52  |
| A. Reporting Entity .....                                                                                                                              | 52  |
| B. Government-Wide and Fund Financial Statements .....                                                                                                 | 55  |
| C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....                                                                  | 56  |
| D. Eliminating Internal Activity .....                                                                                                                 | 57  |
| E. Assets, Liabilities and Equity .....                                                                                                                | 58  |
| 1. Deposits, Investments and Securities Lending .....                                                                                                  | 58  |
| 2. Receivables and Payables .....                                                                                                                      | 58  |
| 3. Interfund Transactions and Balances .....                                                                                                           | 59  |
| 4. Inventories and Prepaid Items .....                                                                                                                 | 59  |
| 5. Restricted Net Assets .....                                                                                                                         | 59  |
| 6. Capital Assets .....                                                                                                                                | 59  |
| 7. Compensated Absences .....                                                                                                                          | 61  |
| 8. Long-Term Obligations .....                                                                                                                         | 61  |
| 9. Fund Equity .....                                                                                                                                   | 61  |
| II. Reconciliation of Government-Wide and Fund Financial Statements .....                                                                              | 62  |
| A. Reconciliation of the Government Funds Balance Sheet to the Statement of Net Assets .....                                                           | 62  |
| B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund<br>Balances of Government Funds to the Statement of Activities ..... | 62  |
| III. Stewardship, Compliance and Accountability .....                                                                                                  | 63  |
| A. Deficit Fund Equity .....                                                                                                                           | 63  |
| B. Unreserved Fund Balance .....                                                                                                                       | 63  |
| IV. Detailed Notes on All Funds .....                                                                                                                  | 64  |
| A. Deposits, Investments and Securities Lending .....                                                                                                  | 64  |
| 1. Primary Government – Other than Major Moves and Next Generation Funds,<br>Investment Trust Funds, and Pension Trust Funds .....                     | 64  |
| 2. Pension and Other Employee Benefit Trust Funds – Primary Government .....                                                                           | 70  |
| 3. Pension Trust Funds – Discrete Component Units .....                                                                                                | 74  |
| B. Interfund Transactions .....                                                                                                                        | 81  |
| C. Taxes Receivable/Tax Refunds Payable .....                                                                                                          | 87  |
| D. Capital Assets .....                                                                                                                                | 87  |
| E. Leases .....                                                                                                                                        | 89  |
| F. Long-Term Obligations .....                                                                                                                         | 90  |
| G. Prior Period Adjustments and Reclassifications .....                                                                                                | 90  |
| V. Other Information .....                                                                                                                             | 91  |
| A. Risk Management .....                                                                                                                               | 91  |
| B. Contingencies and Commitments .....                                                                                                                 | 92  |
| C. Other Revenue .....                                                                                                                                 | 94  |
| D. Economic Stabilization Fund .....                                                                                                                   | 94  |
| E. Employee Retirement Systems and Plans .....                                                                                                         | 94  |
| F. Other Postemployment Benefits – Defined Benefit and Defined Contribution Plans .....                                                                | 101 |
| G. Pollution Remediation Obligations .....                                                                                                             | 105 |

**STATE OF INDIANA**  
**Notes to the Financial Statements**  
**June 30, 2009**  
**(schedule amounts are expressed in thousands)**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in one column in the government-wide financial statements. This column contains the proprietary fund types and colleges and universities. This is to emphasize that, as well as being legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Indiana Housing and Community Development Authority, Ports of Indiana, Indiana State Fair Commission, Indiana Comprehensive Health Insurance Association, and the Indiana Political Subdivision Risk Management Commission have a December 31, 2008, fiscal year-end.

*Blended Component Unit*

The following component unit is reported under the blended method as the primary government appoints a voting majority of the board and is able to impose its will. This unit, although legally separate from the State, is reported as part of the State because it provides services entirely or almost entirely to the State. This component unit is audited by the State Board of Accounts.

The Bureau of Motor Vehicle Commission (BMVC) was established by state law to develop and update Bureau of Motor Vehicles (BMV) policy, establish standards for the operation and maintenance of license branches, and submit budget proposals for the BMVC, BMV, and license branches. The BMVC has significant interrelated operations with the BMV and license branches. The BMV is responsible for the accurate and timely distribution of the fees and taxes (excise and wheel) collected at the license branches for driver licenses, auto and watercraft registrations, and license plates.

The BMVC consists of four individuals appointed by the governor and the chairperson who is the

commissioner of the BMV. No more than three of the members may be of the same political party. The BMVC is reported as a non-major governmental fund.

*Discretely Presented Component Units*

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All proprietary component units are audited by outside auditors except for the State Fair Commission which is audited by the State Board of Accounts. The State Board of Accounts audits the colleges, universities, and the discrete pension trust funds. College and university foundations are audited by outside auditors.

Formed on May 15, 2005, the Indiana Finance Authority (IFA) combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Programs were transferred to the IFA as the successor entity. The IFA is a body both corporate and politic, and though separate from the State of Indiana (State); the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, childcare financing, and educational facility



projects.

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals. The Authority is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of Public Finance and five appointees of the Governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of State and local governments. The unit is reported as a proprietary fund.

The Indiana Housing and Community Development Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority's board consists of the Public Finance Director of the Indiana Finance Authority, the Lieutenant Governor, the State Treasurer and four persons appointed by the Governor. The Lieutenant Governor chairs the board. The unit is reported as a proprietary fund.

The Indiana Board for Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the Governor to purchase education loans in the secondary market. The Governor appointed the original Board of Directors. ISM provides in its articles of incorporation that changes in the composition of its directors or in its bylaws are subject to the approval of the Governor. The unit is reported as a proprietary fund.

The State Lottery Commission of Indiana is composed of five members appointed by the Governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, public employees' retirement, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement the Motor Vehicle Excise Tax Replacement Fund. The Commission is reported as a proprietary fund.

Effective May 15, 2005, the Indiana Stadium and Convention Building Authority was established pursuant to House Bill 1120, which has now been codified at Indiana Code 5-1-17, as an entity of the State to finance, design, construct and own the new Indiana Stadium in Indianapolis and the upcoming expansion of the adjacent Indiana Convention Center. The Building Authority is governed by a seven member board, comprised of four appointments by the Governor, two appointments by the Mayor of the City of Indianapolis and one appointment by the Governor following nomination from one of the counties surrounding Marion County. The Authority is reported as a proprietary fund.

The White River State Park Development Commission has the responsibility to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county. The Commission is reported as a non-major proprietary fund.

The Ports of Indiana is created under Indiana Code 8-10-1-3 to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The State Fair Commission was established per Indiana Code 15-13-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is responsible for holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events held at the Fairgrounds and other properties it owns. The Commission consists of eight members appointed by the governor. The Commission is reported as a non-major proprietary fund.

The Indiana Comprehensive Health Insurance Association was created by the State of Indiana to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage. The board of directors of the Association consists of nine members whose principal residence is in Indiana. Four members are appointed by the insurance commissioner from the members of the Association, one of which must be a representative of a health maintenance organization. Two members are appointed by the commissioner and shall be consumers representing policyholders. Other

members are the state budget director or designee and the commissioner of the department of insurance or designee. One member appointed by the commissioner must be a representative of health care providers. The Association is reported as a non-major proprietary fund.

The Indiana Political Subdivision Risk Management Commission was created per Indiana Code 27-1-29 to administer the Political Subdivision Risk Management Fund (Basic fund) and the Political Subdivision Catastrophic Liability Fund (Catastrophic fund). These funds aid political subdivisions in protecting themselves against liabilities. The Commission consists of eleven members appointed by the governor. The Commission is reported as a non-major proprietary fund.

Effective July 1, 2000, the Public Employees' Retirement Fund (PERF) became an independent body corporate and politic. PERF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The PERF board is composed of five trustees appointed by the Governor and the director of the budget agency or the director's designee as an ex officio voting member of the board. The board of trustees administers the following funds: Public Employees' Retirement Fund, Judges' Retirement System, Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan, the 1977 Police Officers' and Firefighters' Pension and Disability Fund, the Legislators' Retirement System Defined Benefit Plan, the Legislators' Retirement System Defined Contribution Plan, the Prosecuting Attorneys' Retirement Fund, the Pension Relief Fund, and two death benefit funds. For more information on PERF see Note V(E) Employee Retirement Systems and Plans. All of these funds have been aggregated for presentation from PERF's financial statements.

Effective July 1, 2000, the Teachers' Retirement Fund (TRF) became an independent body corporate and politic. TRF is not a department or agency for the State but is an independent instrumentality exercising essential government functions. The TRF board is composed of five trustees appointed by the Governor and the director of the budget agency or director's designee as an ex officio voting member of the board. For more information on TRF see Note V(E) Employee Retirement Systems and Plans.

The Public Employees' Retirement Fund and the Teachers' Retirement Fund were determined to be significant for note disclosure purposes involving the discretely presented fiduciary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Ivy Tech Community College has a fourteen-member board of trustees. Appointments to the boards of trustees are made by the Governor and by election of the alumni of the respective universities. Indiana University and Purdue University are reported as a major discretely presented component unit.

The primary government's officials are also responsible for appointing the members of the boards of other organizations, but the primary government's accountability for these organizations does not extend beyond making the appointments.

The financial statements of the individual component units may be obtained from their administrative offices as follows:

Indiana Finance Authority  
One North Capitol Ave., Suite 900  
Indianapolis, IN 46204

Indiana Bond Bank  
10 West Market St. Suite 2980  
Indianapolis, IN 46204

State Lottery Commission of Indiana  
Pan Am Plaza  
201 S. Capitol, Suite 1100  
Indianapolis, IN 46225

Indiana Stadium and Convention  
Building Authority  
425 W. South Street  
Indianapolis, IN 46225

Indiana Housing and Community  
Development Authority  
40 South Meridian, Suite 1000  
Indianapolis, IN 46204

Secondary Market for Education Loans, Inc.  
Capital Center, Suite 400  
251 N. Illinois  
Indianapolis, IN 46204

Indiana Board for Depositories  
One North Capitol Ave, Suite 444  
Indianapolis, IN 46204

Indiana White River State Park  
Development Commission  
801 West Washington Street  
Indianapolis, IN 46204

Indiana Comprehensive Health Insurance  
Association  
9465 Counselors Row, Suite 200  
Indianapolis, IN 46240

Ports of Indiana  
150 West Market Street, Suite 100  
Indianapolis, IN 46204

Indiana State Fair Commission  
1202 E. 38<sup>th</sup> Street  
Indianapolis, IN 46205

Indiana Political Subdivision Risk  
Management Commission  
c/o Indiana Department of Insurance  
311 W. Washington St., Suite 300  
Indianapolis, IN 46204

Ivy Tech Community College  
Assistant Treasurer  
50 West Fall Creek Parkway North Drive  
Indianapolis, IN 46208

University of Southern Indiana  
8600 University Boulevard  
Evansville, IN 47712

Indiana University  
Poplar's Room. 500, 107 S. Indiana Ave.  
Bloomington, IN 47405-1202

Ball State University  
Administration Bldg., 301  
2000 West University Avenue  
Muncie, IN 47306

Indiana State University  
Office of the Controller  
210 N. 7<sup>th</sup> Street  
Terre Haute, IN 47809

Vincennes University  
1002 North 1st Street  
Vincennes, IN 47591

Purdue University  
Accounting Services  
401 South Grant Street  
West Lafayette, IN 47907-2024

State of Indiana  
Public Employees' Retirement Fund  
Harrison Building  
143 West Market Street  
Indianapolis, IN 46204

Indiana State Teachers' Retirement Fund  
150 West Market Street, Suite 300  
Indianapolis, IN 46204-2809

## B. Government-Wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information about the overall government. They exclude information about fiduciary activities, including component units, which are fiduciary in nature, such as the public employee retirement systems. They distinguish between the primary government and its discretely presented component units as defined under the reporting entity above. They also distinguish between governmental activities and business-type activities of the State. Governmental activities rely on taxes and intergovernmental revenues for their support. Business-type activities, on the other hand, rely on fees and charges for services provided for their support.

The statement of activities matches the State's direct functional expense with the functional program revenue to identify the relative financial burden of each of the State's functions. This format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees and intergovernmental aid. Certain indirect costs are included in the program expense reported for

individual functions of government. Program revenues derive directly from the program itself or from parties outside the State's taxpayers, as a whole. They reduce the net cost of the function to be financed from the general revenues. Program revenues include charges for services, program-specific operating grants and contributions, and program-specific capital grants and contributions. Revenues that do not meet the criteria of program revenues are general revenues. These include all taxes, even those levied for a specific purpose and are reported by type of tax. Investment income is also a general revenue.

Separate financial statements are presented for the State's governmental, proprietary and fiduciary funds. Governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances. Major governmental funds are presented in separate columns and non-major funds are aggregated in a separate column. Proprietary and fiduciary funds are reported using the statement of net assets and the statement of changes in net assets. In addition proprietary funds include a statement of cash flows.

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### Measurement Focus and Basis of Accounting

**The government-wide statements and the proprietary and fiduciary fund statements** use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues, including federal government mandates on the State, certain grants and entitlements, and most donations, are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and enterprise and fiduciary fund statements, the State applies all applicable FASB pronouncements issued before December 1, 1989, and those issued after that date which do not contradict any previously issued GASB pronouncements.

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the State of Indiana, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual and corporate income tax, sales tax, inheritance tax, cigarette tax, alcoholic beverage tax, motor fuel tax, fines, and penalties are accrued using one month's revenues.

Gaming taxes and fees and vehicle licenses are received daily via electronic funds transfer with a one to three working day delay, so the first several working days in July revenues are reviewed for materiality and accrued accordingly.

### Financial Statement Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

**Governmental funds** are used to account for the government's general government activities. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds and permanent funds.

The *General Fund* is the State's primary operating fund. It is maintained to account for resources obtained and used for those services traditionally provided by State government, which are not required to be accounted for in another fund. The General Fund is a major fund.

The *special revenue* funds account for revenue sources that are legally restricted to expenditure for specific purposes except for major capital projects.

The following special revenue funds are presented as major.

- The *Motor Vehicle Highway Fund* collects motor fuel taxes, special fuel taxes, motor carrier surtaxes, and vehicle license fees for public safety programs and distributions to local units of government for transportation programs.
- The *Medicaid Assistance Fund* receives federal grants and State appropriations which are used to administer the Medicaid and Children's Health Insurance programs.
- The *Major Moves Construction Fund* distributes money received from the Toll Road lease. This money is used for new construction and major preservation of highways and bridges throughout Indiana.
- The *State Highway Department Fund* receives federal grants and State appropriations that are used for State transportation programs.
- The *Property Tax Replacement Fund* receives corporate income tax and sales tax which is used for education and property tax replacement distributions to local units of government.
- The *ARRA of 2009 Fund* is used to account for funds received under the American Recovery and Reinvestment Act of 2009 which became law on February 17, 2009. These funds are

supplementing existing federal programs in areas such as Medicaid, education, transportation, housing, and employment services.

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds. There are no major capital project funds.

The *permanent funds* are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the benefit of the government or its citizens. There are no major permanent funds.

**Proprietary funds** focus on the determination of operating income, changes in net assets, financial position and cash flows. Operating revenues and expenses are the revenues and expenses that pertain to the fund's principal operations. Nonoperating revenues and expenses are those revenues resulting from secondary or auxiliary activities of the fund. Nonoperating items include interest/investment revenue and expense. Proprietary funds include both enterprise funds and internal service funds.

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The State reports the following major enterprise fund:

- The *Unemployment Compensation Fund* collects employer taxes and the federal share of unemployment compensation. Benefits are paid to eligible individuals.

*Internal service funds* account for operations that provide goods and services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The goods and services provided include fleet management, information technology and communication, aviation, printing, products of correctional industries, and self-insurance. Major fund reporting requirements do not apply to internal service funds. Combined totals for all internal service funds are reported as a separate column on the face of the proprietary fund financial statements.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fiduciary funds** account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the State's own programs. Fiduciary funds include pension (and other employee benefit) trust funds, private-purpose trust funds, investment trust funds, and agency funds.

*Pension (and other employee benefit) trust funds* are used to report resources held in trust for the members and beneficiaries of defined benefit pension plans, and defined contribution pension plans. Pension and other employee benefits trust funds include the Public Employees' Retirement Fund, Teachers' Retirement Fund, State Police Pension Fund and the Retiree Health Benefit Trust Fund.

*Private-purpose trust funds* are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments. Private Purpose funds include the Abandoned Property Fund and the Private Purpose Trust Fund.

*Investment trust funds* are used to report the external portion of investment pools operated by a sponsoring government. The Treasurer of State, local units of government, and quasi-governmental units in Indiana have the opportunity to invest in a common pool of investments that preserves the principal of the public's funds, remains highly-liquid, and maximizes the return on the investment of public funds. The State's investment trust fund is TrustINDiana operated by the state treasurer. The amounts reported represent the external portion of the pool.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity. Agency Funds include Employee Payroll Withholding and Benefits, Local Distributions, Child Support and Department of Insurance.

#### D. Eliminating Internal Activity

Interfund loans including those from cash overdrafts in funds, interfund services provided or used, and prepaid expenditures of internal service funds are eliminated as internal balances in the government-wide statement of net assets. This is to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, interfund loans and interfund services provided and/or used reported in the governmental funds balance sheet have been eliminated in the government-wide statement of net assets.

Eliminations were made in the statement of activities to remove the “doubling-up” effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function have also been eliminated, so that the allocated expenses are reported only by the function to which they were allocated. The effect of interfund services provided and used between functions has not been eliminated in the statement of activities since to do so would misstate both the expenses of the purchasing function and the program revenues of the selling function.

## **E. Assets, Liabilities and Equity**

### **1. Deposits, Investments and Securities Lending**

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition).

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost, which approximates fair value. Fair value is determined by quoted market prices which approximate fair value.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency. The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit

accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Investments which are authorized for the State Teachers' Retirement Fund (TRF) include: U.S. Treasury and Agency obligations, U.S. Government securities, common stock, international equity, corporate bonds, notes and debentures, repurchase agreements secured by U.S. Treasury obligations, mortgage securities, commercial paper, banker's acceptances, limited liability partnerships, real estate securities, options, and swaps. The investments of TRF are subject to the provisions of IC 5-10.4-3-10.

Investments which are authorized for the State Police Retirement fund include: U.S. Treasury and Agency obligations, State and municipal obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage pool investments, and repurchase agreements. The investments of the State Police Retirement fund are subject to the provisions of IC 10-12-2-2.

The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund (PERF) Board of Trustees. The PERF Board of Trustees is required to diversify investments in accordance with the prudent investor standards. The investment policy statement adopted by the PERF Board of Trustees and the asset allocation approved by the PERF Board of Trustees contain limits and goals for each type of investment portfolio and specifies prohibited transactions. These guidelines authorize investments of: U.S. Treasury and Agency obligations, domestic corporate bonds/notes, common stock and equity securities, foreign stocks and bonds, mortgage securities, mutual funds, collective trust funds, asset backed, commercial mortgage backed, international stocks, and real estate. The investments of PERF are subject to the provisions of IC 5-10.3-5-3.

### **2. Receivables and Payables**

In the government-wide and proprietary fund financial statements, revenues are recognized on the flow of economic resources measurement focus. Material receivables are recognized as follows. Uncollected taxes due in the following periods are subject to accrual.

Individual income tax – Individual withholding tax is due from employers by the 20<sup>th</sup> day after the end of the month collected. Estimated payments are due from individuals by the 15<sup>th</sup> of the month

immediately following each quarter or the calendar year.

Corporate income tax - Due quarterly on the 20<sup>th</sup> day of April, June, September, and December with the last payment due on April 15<sup>th</sup> for a calendar year taxpayer.

Sales tax – Due by the 20<sup>th</sup> day after the end of the month collected.

Fuel tax – Gasoline tax is due the 20<sup>th</sup> day after the end of the month collected. Special fuel tax, depending on the status of the taxpayer, is due by the 15<sup>th</sup> day after the end of the month collected or the 15<sup>th</sup> day after the end of the quarter collected. Motor carrier surtax is due at the end of the month following the end of the quarter.

Financial institutions tax – same laws as corporate income taxes (see above) for making payments.

Alcohol and tobacco taxes – Cigarette distributors must purchase tax stamps within 6 days after they accept delivery of the cigarettes. Cigarette tax is due within 30 days of the issuance of the tax stamp. Alcoholic beverage tax is due by the 20<sup>th</sup> day after the end of the month collected.

Inheritance tax – except as otherwise provided in IC 6-4.1-6-6(b), the inheritance tax imposed as a result of a decedent's death is due twelve (12) months after the person's date of death.

In the governmental fund financial statements, revenue is recognized on the flow of current financial resources. Material receivables are subject to accrual for receipts collected in the month of July.

The State of Indiana does not collect property tax, which is collected by local units of government; a minor portion is remitted to the State semiannually (June and December) for distribution to the State Fair Commission, Department of Natural Resources and Family and Social Services Administration.

### **3. Interfund Transactions and Balances**

The State has the following types of interfund transactions in the governmental fund and proprietary financial statements:

Interfund service provided and used (reciprocal interfund activity) – Charges for goods or services rendered by one fund to another are treated as

revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Interfund Transfers (non-reciprocal interfund activity) – Legally authorized transfers whereby the two parties do not receive equivalent cash, goods or services are reported as transfers.

The types of assets and liabilities resulting from these transactions are:

Interfund loans – These are balances arising from the short-term and long-term portion of interfund transactions.

Interfund services provided/used – These are balances arising in connection with reciprocal interfund activity or reimbursements. Balances relating to discretely presented component units are presented as 'Due from/to component units'.

Interfund services provided and interfund loans are eliminated in the government-wide statements because they are provided by one governmental activity on behalf of another or by one business-type activity on behalf of another.

### **4. Inventories and Prepaid Items**

Inventories for the Inns & Concessions, Institutional Industries and Administrative Services Revolving funds are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### **5. Restricted Net Assets**

Certain net assets are classified as restricted net assets because their use is completely restricted by bond indentures, contracts, grantors, contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

### **6. Capital Assets**

Capital outlays are reported as expenditures in the governmental funds and as assets in the government-wide statements to the extent the State's \$20,000 capitalization threshold is met. In accordance with GASB Statement No. 34, all infrastructure assets have been capitalized retroactively.

The Indiana Department of Transportation (INDOT) uses the modified approach for reporting its

infrastructure. The Department of Natural Resources (DNR) uses the depreciation approach for reporting its infrastructure.

Under the modified approach, the State has determined that the condition level for INDOT infrastructure assets to be maintained is:

- an average Pavement Quality Index (PQI) of 75 for Interstate and National Highway Safety (NHS) Non-Interstate roads,
- an average PQI of 65 for Non-NHS roads,
- an average sufficiency rating of 87% for interstate bridges,
- an average sufficiency rating of 85% for NHS Non-Interstate bridges, and
- an average sufficiency rating of 83% for Non-NHS bridges.

The Program Engineering Division of INDOT is responsible for determining the appropriate condition level of the infrastructure assets.

No amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential.

INDOT projects are capitalized based on capitalization and preservation percentages assigned to three hundred sixty-two (364) work types. For example, the cost for constructing a new bridge would likely be 100% capitalized; whereas, the cost for adding travel lanes to a road would likely be assigned a work type code resulting in capitalization at 50% and preservation at 50%.

The State maintains an inventory of these infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. Road pavement condition assessments are performed annually on all INDOT state routes, including interstates. Condition assessments of all bridges are determined on a bi-annual basis. Sufficiency ratings of all bridges are determined on an annual basis by the Federal Highway Administration based on annual submittal of bridge condition data.

The State makes annual estimates of the amounts that must be expended to preserve and maintain these infrastructure assets at the predetermined condition levels.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated fixed assets are recorded at their estimated fair value at the date of donation.

Capital assets are depreciated in the proprietary and similar trust funds using the straight-line method on both the fund basis and the government-wide basis. Both the government-wide statements and proprietary and similar trust funds use the following estimated useful lives:

| <u>Assets</u>                                                                             | <u>Years</u> |
|-------------------------------------------------------------------------------------------|--------------|
| Buildings including improvements to buildings                                             | 40           |
| Structures other than buildings including improvements to structures other than buildings | 20           |
| Infrastructure (not using modified approach)                                              | 20           |
| Furniture, machinery and equipment                                                        | 5-14         |
| Motor pool vehicles                                                                       | 10 ¢ / mile  |

The State of Indiana maintains several collections of works of art, historical treasures, and similar assets that are not capitalized. While the collections are maintained by different agencies, each collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- Protected, kept unencumbered, cared for, and preserved.
- Subject to an organizational policy that either prohibits sale or requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State's major collections are:

- The State Museum Collection, which is a part of the Indiana Department of Natural Resources, consists of historical buildings and furnishings; personal artifacts; tools and equipment; communication, transportation, recreational and societal artifacts; and art objects.
- The Commission on Public Records, State Archives Collection consists of historical and legal documents, that are generated on: paper or paper substitutes; photographic or chemically based media; magnetic or machine readable media; or any other materials, regardless of form or characteristics.
- The State Library has two collections, the Manuscript Collection and the Indiana History Collection. These collections include historical documents and works of art, most of it of Indiana origin.

Other collections include the Historical Bureau's Indiana Governors' Portrait Collection, the Department



of Administration's Statehouse Collection, and the Indiana Arts Commission's Collection. These collections consist primarily of art objects.

## **7. *Compensated Absences***

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment.

Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days. In addition, qualifying retiring employees are paid an additional payment up to a maximum of \$5,000, which is made up of unused vacation leave over 30 days, unused personal leave, and unused sick leave.

Employees of the legislative and judicial branches as well as those of the Auditor of State may convert a portion of accrued but unused vacation and sick leave into the deferred compensation plan. An employee must have at least 300 hours of vacation or sick leave accrued in order to participate in this plan. There is a sliding scale which determines how many hours are converted from those hours the employee has accrued. The hours converted are deposited into the deferred compensation program's 401(a) plan at 60% of the employee's hourly rate.

Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government-wide, proprietary, and fiduciary fund financial statements.

## **8. *Long-Term Obligations***

Long-term debt and other obligations are reported in the government-wide statements and the proprietary funds statements as liabilities in the applicable governmental activities, business-type activities, or proprietary fund.

In the governmental fund financial statements, bond issuance costs and bond discounts are treated as period costs in the year of issue. Proceeds of long

term debt, issuance premiums or discounts and certain payments to escrow agents for bond refundings are reported as other financing sources and uses.

## **9. *Fund Equity***

In the fund financial statements, reservations of fund equity represent those portions of fund balances that are legally restricted by outside parties for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

*Reserve for Encumbrances* – established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

*Reserve for Special Purposes* – established to recognize that money has been set aside for specific purposes as designated by the governmental entity or fund pursuant to its management's direction or in accordance with any rules, laws, or procedures.

*Reserve for Tuition Support* – established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

*Reserve for Interfund Loans* – established to recognize short-term and long-term loans issued to other funds within this government and therefore not currently available for expenditure.

*Reserve for Long-Term Loans and Advances* – established to recognize short-term and long-term loans issued by various governmental activities' funds to entities outside this government and therefore, not currently available for expenditure. The majority of these loans are made from the Common School Fund to school corporations for construction and/or technology initiatives.

*Reserve for Restricted Purposes* – established to recognize legal limitations that specify the purpose or purposes for which resources derived from government-mandated and voluntary nonexchange transactions are to be used.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

As described in Note I, Summary of Significant Accounting Policies, differences exist between the government-wide and the governmental fund financial statements. These differences are summarized in the reconciliations that follow the governmental fund financial statements.

### A. Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

In the government-wide financial statements, capital assets are considered economic resources and are capitalized at cost or estimated historical cost at time of acquisition. Where applicable these costs are offset by accumulated depreciation.

The government-wide statements use the flow of economic resources and accrue receivables that are not available soon enough in the subsequent period to pay for the current period's expenditures. Also under the flow of economic resources, expenses reported in the statement of activities do not require the use of current financial resources. Both these receivables and payables are accrued in the government-wide statements, but not in the fund financial statements.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

### B. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

In the government-wide financial statements, the cost for capital outlays, except for governmental infrastructure, is allocated over the assets' useful lives and is reported as depreciation expense. In the fund financial statements, capital outlays are reported as expenditures in the functional line items.

The government-wide statements use the flow of economic resources and therefore do not report revenues and expenses dependent on the availability of financial resources, as is reported in the fund financial statements. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net assets.

Internal service funds are used by management to charge the costs of certain activities to individual funds. In the government-wide financial statements, the expenses of internal service funds are included in governmental activities in the statement of activities. In the proprietary fund financial statements internal service fund balances are segregated and reported as their own fund type.

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Deficit Fund Equity

At June 30, 2009, various funds had a deficit fund balance caused by overdrafts from pooled cash and investments and the posting of accruals to the

balance sheet. Temporary cash overdrafts are reported as interfund loans from the general fund.

| <b>Fund</b>                         | <b>Overdraft from<br/>pooled cash</b> | <b>Accrual deficits</b> |
|-------------------------------------|---------------------------------------|-------------------------|
| <b>Governmental Funds</b>           |                                       |                         |
| Medicaid Assistance                 | \$ -                                  | \$ (19,363)             |
| County Welfare Administration       | -                                     | (4,479)                 |
| Bureau of Motor Vehicles Commission | -                                     | (18,575)                |
| Federal Food Stamp Program          | (7,973)                               | (286)                   |

#### B. Unreserved Fund Balance

The State of Indiana designates its unreserved fund balance as designated for appropriations, designated for allotments, and undesignated. In order for money to be spent out of a fund it must be appropriated by

the legislature and then allotted by the State Budget Agency. The following are the designations of unreserved fund balance at June 30, 2009:

| <b>Unreserved Fund Balance</b>   |                                                |                                      |                     |                                              |
|----------------------------------|------------------------------------------------|--------------------------------------|---------------------|----------------------------------------------|
|                                  | <b>Designations of Unreserved Fund Balance</b> |                                      |                     | <b>Total<br/>Unreserved<br/>Fund Balance</b> |
|                                  | <b>Designated for<br/>Appropriations</b>       | <b>Designated for<br/>Allotments</b> | <b>Undesignated</b> |                                              |
| <b>Governmental Funds</b>        |                                                |                                      |                     |                                              |
| General Fund                     | \$ 449,822                                     | \$ 427,903                           | \$ 581,892          | \$ 1,459,617                                 |
| Motor Vehicle Highway Fund       | -                                              | -                                    | (19,621)            | (19,621)                                     |
| Medicaid Assistance              | -                                              | -                                    | (39,406)            | (39,406)                                     |
| Major Moves Construction Fund    | 754,935                                        | -                                    | 1,507,649           | 2,262,584                                    |
| State Highway Department         | -                                              | -                                    | (1,360,848)         | (1,360,848)                                  |
| ARRA of 2009                     | -                                              | -                                    | (208,216)           | (208,216)                                    |
| Non-Major Special Revenue Funds  | 712,290                                        | 627,959                              | 215,315             | 1,555,564                                    |
| Non-Major Capital Projects Funds | 63,503                                         | 20,405                               | 1,560               | 85,468                                       |
| Non-Major Permanent Funds        | 424                                            | 120,051                              | 541,029             | 661,504                                      |
| <b>Total Governmental Funds</b>  | <b>\$ 1,980,974</b>                            | <b>\$ 1,196,318</b>                  | <b>\$ 1,219,354</b> | <b>\$ 4,396,646</b>                          |

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits, Investments and Securities Lending

###### 1. **Primary Government – Other than Major Moves Construction Fund and Next Generation Trust Fund, Investment Trust Funds, and Pension and Other Employee Benefit Trust Funds.**

###### *Investment Policy*

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5 with the exception that monies may not be invested in equity securities. For more information, please see the PERF policy in note IV(A)3. There is

no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

###### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2009:

| <b>Primary Government<br/>(Amounts in thousands)</b> |                              |                                         |                  |  |
|------------------------------------------------------|------------------------------|-----------------------------------------|------------------|--|
| <b>Investment Type</b>                               | <b>Fair<br/>Value Totals</b> | <b>Investment Maturities (in Years)</b> |                  |  |
|                                                      |                              | <b>Less than 1</b>                      | <b>1 - 5</b>     |  |
| U.S. Treasuries                                      | \$ 373,785                   | \$ 373,785                              | \$ -             |  |
| U.S. Agencies                                        | 596,563                      | 528,859                                 | 67,704           |  |
| Municipal Bonds                                      | 189,070                      | 189,070                                 | -                |  |
| Local Govt Investment Pool                           | 256,065                      | 256,065                                 | -                |  |
| Non-U.S. Fixed Income                                | 10,000                       | 5,000                                   | 5,000            |  |
| Certificate of Deposits                              | 357,340                      | 357,340                                 | -                |  |
| Money Market Mutual Funds                            | 2,258,000                    | 2,258,000                               | -                |  |
| <b>Total</b>                                         | <b>\$ 4,040,823</b>          | <b>\$ 3,968,119</b>                     | <b>\$ 72,704</b> |  |

###### *Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2009, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved

depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk

because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Indiana Code 5-13-9-2 authorizes the State Treasurer to invest or reinvest in securities fully guaranteed and issued by (1) the United States Treasury, (2) a federal agency, (3) a federal instrumentality, or (4) a federal government sponsored enterprise. The State Treasurer also may invest or

reinvest in money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940. The portfolio of the investment company or investment trust must be limited to direct obligations of the United States, a federal agency, a federal instrumentality, a federal government sponsored enterprise, or repurchase agreements fully collateralized by obligations described in numbers (1) through (4) above. The statute also states the securities of or interests in an investment company or investment trust must be rated as one of the following: (1) AAA, or its equivalent, by Standard & Poor's Corporation or its successor; or (2) Aaa, or its equivalent, by Moody's Investors Service, Inc. or its successor.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities:

| <b>Primary Government<br/>(Amounts in thousands)</b> |                         |                       |    |                          |
|------------------------------------------------------|-------------------------|-----------------------|----|--------------------------|
| <b><u>Investment Type</u></b>                        | <b><u>S &amp; P</u></b> | <b><u>Moody's</u></b> |    | <b><u>Fair Value</u></b> |
| U.S. Treasuries                                      | AAA                     | Aaa                   | \$ | 373,785                  |
| U.S. Agencies                                        | AAA                     | Aaa                   |    | 596,563                  |
| Certificate of Deposits                              | NR                      | NR                    |    | 357,340                  |
| Municipal Bonds                                      | NR                      | NR                    |    | 189,070                  |
| Non-US Fixed Income Bonds                            | A                       | A                     |    | 10,000                   |
| Local Govt Investment Pool                           | NR                      | NR                    |    | 256,065                  |
| Money Market Mutual Funds                            | AAA                     | Aaa                   |    | 2,258,000                |
| Total                                                |                         |                       | \$ | <u>4,040,823</u>         |

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Indiana Code 5-13-10-3 states that the State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than fifty percent (50%) of the combined capital, surplus, and undivided profits of that depository as determined by its last published statement of condition filed with the State Treasurer.

Investments in any one issuer that represent 5% or more of the total investments are:

Federal Home Loan Bank: 7.06%    \$341,672,885.03

#### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

#### *Securities Lending Credit Risk*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be

lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities. The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities. The Treasurer of State is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount or (2) a financial institution located either in or out of Indiana aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal

instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities. State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

The State's custodial banks manage the securities lending programs and receive securities or cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees' Retirement Fund and the State Teachers' Retirement Fund (discretely presented component units), which allow no more than 40% to be lent at one time.

The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-35 days. The weighted average maturity gap at June 30, 2009 was 29 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

### **Major Moves Construction Fund/Next Generation Trust Funds**

#### *Investment Policy*

Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Major Moves Construction Fund and the Next Generation Trust Fund have separate investment authority as established under Indiana Code 8-14-14 and Indiana Code 8-14-15, respectively. The Treasurer of State shall invest these funds in the same manner as the public employees' retirement fund under Indiana Code 5-10.3-5, except the funds may not be invested in equity securities. Investment Policy Statements for the investment of these two funds has been adopted by

the Treasurer of State. The Investment Policy Statements are written in conformity with the applicable investment statutes and in accordance with prudent investor standards. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. The Investment Policy Statements establish asset allocations for both Funds and set limits for the exposure in securities from any one issuer to not more than 5% of a Core Fixed Income Investment Manager's portfolio and not more than 10% of a Core Plus Fixed Income Investment Manager's portfolio.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest

rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2009:

| <b>Major Moves/Next Generation Funds</b><br>(Amounts in thousands)       |                     |                                  |                   |                   |                     |
|--------------------------------------------------------------------------|---------------------|----------------------------------|-------------------|-------------------|---------------------|
| Investment Type                                                          | Fair Value          | Investment Maturities (in Years) |                   |                   |                     |
|                                                                          |                     | Less than 1                      | 1 - 5             | 6 - 10            | More than 10        |
| U.S. Treasuries                                                          | \$ 285,132          | \$ 25,235                        | \$ 128,220        | \$ 73,081         | \$ 58,596           |
| U.S. Agencies                                                            | 383,367             | 1,266                            | 24,691            | 38,568            | 318,842             |
| Government Asset and Mortgage Backed Collateralized Mortgage Obligations | 226,809             | 94                               | 3,494             | 4,978             | 218,243             |
| Government CMOs                                                          | 35,787              | -                                | -                 | 7,991             | 27,796              |
| Corp CMOs                                                                | 96                  | -                                | -                 | -                 | 96                  |
| Other Government Bonds                                                   | 120,049             | 2,995                            | 23,212            | 52,029            | 41,813              |
| Corporate Bonds                                                          | 1,171,814           | 34,477                           | 392,301           | 491,427           | 253,609             |
| Corporate Asset Backed                                                   | 217,173             | 207                              | 23,671            | 13,673            | 179,622             |
| Private Placements                                                       | 83,488              | 1,585                            | 33,289            | 30,804            | 17,810              |
| Municipal Bonds                                                          | 23,830              | 2,586                            | 4,951             | 9,331             | 6,962               |
| Miscellaneous Other Fixed Income                                         | 1,569               | -                                | 860               | -                 | 709                 |
| Money Market Mutual Funds                                                | 409,217             | 409,217                          | -                 | -                 | -                   |
|                                                                          | <u>\$ 2,958,331</u> | <u>\$ 477,662</u>                | <u>\$ 634,689</u> | <u>\$ 721,882</u> | <u>\$ 1,124,098</u> |

*Custodial Credit Risk*

Deposits – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2009, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

Investment Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with

it's obligations under the applicable securities lending agreement.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment managers must adhere to the following guidelines:

*Intermediate and Core Fixed Income Managers*

- The average credit quality of each manager's portfolio shall not be lower than Aa3/AA-
- All securities at the time of purchase shall have a Moody's, S&P's and/or Fitch's credit quality rating of no less than BBB
- In the event a holding is downgraded to less than BBB, the manager will have the discretion over when to sell the security, generally, no later than 90 days following the downgrade.

*Core Plus Fixed Income Managers*

- At least 60% of the securities held in the portfolio shall have a credit rating of no less than BBB
- Investments in high-yield and non-US debt are permitted, but combined exposure to those sectors should not exceed 40%
- The average credit quality of each

manager's portfolio shall not be lower than single A

- g. High-yield and non-US debt securities are permitted  
h. Non US-dollar currency exposure is permitted

#### Hybrid Fixed Income Managers

The following is a summary of the Credit Risk Disclosure as of June 30, 2009:

| <b>Major Moves/Next Generation Funds</b><br>(Amounts in thousands) |                  |              |                |              |  |
|--------------------------------------------------------------------|------------------|--------------|----------------|--------------|--|
| Investment Type                                                    | <b>S &amp; P</b> |              | <b>Moody's</b> |              |  |
|                                                                    | Ratings          | Fair Value   | Ratings        | Fair Value   |  |
| U.S. Treasuries                                                    | AAA              | \$ 285,132   | Aaa            | \$ 285,132   |  |
| U.S. Agencies                                                      | AAA              | 383,367      | Aaa            | 383,367      |  |
| Government Asset And Mortgage Backed                               | AAA              | 190,229      | Aaa            | 167,790      |  |
|                                                                    | AA               | 784          | Aa             | 2,040        |  |
|                                                                    | A                | 3,627        | A              | 2,520        |  |
|                                                                    | BBB              | 12,632       | Baa            | 15,453       |  |
|                                                                    | BB               | 5,766        | Ba             | 8,485        |  |
|                                                                    | B                | 4,890        | B              | 6,744        |  |
|                                                                    | CCC&Below        | 2,753        | Caa&Below      | 7,158        |  |
|                                                                    | NR               | 6,128        | NR             | 16,619       |  |
| Collateralized Mortgage Obligations                                |                  |              |                |              |  |
| Government CMO's                                                   | AAA              | 35,108       | Aaa            | 35,334       |  |
| Government CMO's                                                   | NR               | 679          | NR             | 453          |  |
| Government CMO's                                                   | BBB              | 96           | Baa            | 96           |  |
| Other Government Bonds                                             |                  |              |                |              |  |
|                                                                    | AAA              | 44,231       | Aaa            | 48,529       |  |
|                                                                    | AA               | 8,076        | Aa             | 3,003        |  |
|                                                                    | A                | 9,323        | A              | 3,680        |  |
|                                                                    | BBB              | 26,433       | Baa            | 13,937       |  |
|                                                                    | BB               | 18,702       | Ba             | 38,595       |  |
|                                                                    | B                | 379          | B              | 3,187        |  |
|                                                                    | CCC&Below        | 840          | Caa&Below      | -            |  |
|                                                                    | NR               | 12,065       | NR             | 9,118        |  |
| Corporate Bonds                                                    |                  |              |                |              |  |
|                                                                    | AAA              | 77,002       | Aaa            | 81,245       |  |
|                                                                    | AA               | 71,554       | Aa             | 85,064       |  |
|                                                                    | A                | 331,972      | A              | 296,583      |  |
|                                                                    | BBB              | 369,131      | Baa            | 377,879      |  |
|                                                                    | BB               | 95,996       | Ba             | 91,764       |  |
|                                                                    | B                | 64,283       | B              | 76,718       |  |
|                                                                    | CCC&Below        | 56,818       | Caa&Below      | 66,026       |  |
|                                                                    | NR               | 105,058      | NR             | 96,535       |  |
| Corporate Asset Backed                                             |                  |              |                |              |  |
|                                                                    | AAA              | 155,407      | Aaa            | 148,547      |  |
|                                                                    | AA               | 1,652        | Aa             | 7,072        |  |
|                                                                    | A                | 9,819        | A              | 1,874        |  |
|                                                                    | BBB              | 25,115       | Baa            | 27,119       |  |
|                                                                    | BB               | 1,929        | Ba             | 9,363        |  |
|                                                                    | B                | 2,461        | B              | 5,232        |  |
|                                                                    | CCC&Below        | 936          | Caa&Below      | 5,417        |  |
|                                                                    | NR               | 19,854       | NR             | 12,549       |  |
| Private Placements                                                 |                  |              |                |              |  |
|                                                                    | AAA              | 4,115        | Aaa            | 3,758        |  |
|                                                                    | AA               | 17,244       | Aa             | 10,159       |  |
|                                                                    | A                | 25,501       | A              | 28,834       |  |
|                                                                    | BBB              | 24,310       | Baa            | 27,295       |  |
|                                                                    | BB               | 5,367        | Ba             | 5,602        |  |
|                                                                    | CCC&Below        | 4,787        | Caa&Below      | 4,787        |  |
|                                                                    | NR               | 2,164        | NR             | 3,053        |  |
| Municipal Bonds                                                    |                  |              |                |              |  |
|                                                                    | AAA              | 1,561        | Aaa            | 1,101        |  |
|                                                                    | AA               | 4,219        | Aa             | 3,884        |  |
|                                                                    | A                | 7,760        | A              | 6,512        |  |
|                                                                    | BBB              | 6,479        | Baa            | 4,508        |  |
|                                                                    | BB               | -            | Ba             | 689          |  |
|                                                                    | NR               | 3,811        | NR             | 7,136        |  |
| Misc Other Fixed Income                                            |                  |              |                |              |  |
|                                                                    | AA               | 32           | Aa             | 32           |  |
|                                                                    | A                | 514          | A              | 514          |  |
|                                                                    | BBB              | 710          | Baa            | 710          |  |
|                                                                    | NR               | 313          | NR             | 313          |  |
| Money Market Mutual Funds                                          |                  |              |                |              |  |
|                                                                    | AAA              | 324,104      | Aaa            | 324,104      |  |
|                                                                    | NR               | 85,113       | NR             | 85,113       |  |
| Total                                                              |                  | \$ 2,958,331 |                | \$ 2,958,331 |  |



*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools. For Intermediate and Core Fixed Income Managers, securities in any one issuer should be limited to not more than 5% of the investment manager's portion of the Fund portfolio measured at market value. For Core Plus Fixed Income Managers, the exposure of each manager's portfolio should be limited to not more than 10% of the manager's portion of the Fund portfolio measured at market value.

Investments in any one issuer that represent 5% or more of the total investments are:

FNMA: 12.55%, \$350,983,458

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

*Securities Lending Credit Risk*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2009:

any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

***TrustIndiana, Local Government Investment Pool (Investment Trust Funds)****Investment Policy*

Indiana Code, Title 5, Article 13, Chapter 9, Section 11 established the local government investment pool (TrustIndiana) within the office and custody of the Treasurer of State. The Treasurer of State shall invest the funds in TrustIndiana in the same manner, in the same type of instruments, and subject to the same limitations provided for the deposit and investment of state funds by the Treasurer of State under Indiana Code 5-13-10.5. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk. However, pursuant to IC 5-13-9-11(g)(7), no less than fifty percent of funds available for investment shall be deposited in banks qualified to hold deposits of participating local government entities. Investment Criteria have been established to create the principles and procedures by which the funds of TrustIndiana shall be invested and to comply with state statute relating to the investment of public funds.

*Valuation of Investments*

Consistent with the provisions of a 2a-7 like pool as defined by GASB Statement No. 31, TrustIndiana securities are valued at amortized cost, which approximates market value.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

| <b>TrustIndiana - Local Government Investment Pool</b><br>(Amounts are in thousands) |                   |                                  |                 |
|--------------------------------------------------------------------------------------|-------------------|----------------------------------|-----------------|
| Investment Type                                                                      | Amortized Cost    | Investment Maturities (in Years) |                 |
|                                                                                      |                   | Less than 1                      | 1 - 5           |
| U.S. Agencies                                                                        | 16,023            | \$ 10,682                        | \$ 5,341        |
| Commercial Paper                                                                     | 18,669            | 18,669                           | -               |
| Money Market Mutual Funds                                                            | 81,403            | 81,403                           | -               |
| Total                                                                                | <u>\$ 116,095</u> | <u>\$ 110,754</u>                | <u>\$ 5,341</u> |

### *Custodial Credit Risk*

**Deposits** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2009, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**Investment Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. TrustIndiana limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

The following table provides information on the credit quality ratings for investments in TrustIndiana:

| <b>TrustIndiana - Local Government Investment Pool</b><br>(Amounts are in thousands) |         |                  |         |                  |
|--------------------------------------------------------------------------------------|---------|------------------|---------|------------------|
| Investment Type                                                                      | S & P   |                  | Moody's |                  |
|                                                                                      | Ratings | Fair Value       | Ratings | Fair Value       |
| U.S. Agencies                                                                        | AAA     | \$ 16,023        | Aaa     | \$ 16,023        |
| Commercial Paper                                                                     | A-1     | 18,669           | P-1     | 18,669           |
| Money Market Mutual Funds                                                            | AAA     | 81,403           | Aaa     | 81,403           |
| Total                                                                                |         | <u>\$116,095</u> |         | <u>\$116,095</u> |

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. As noted above, TrustIndiana is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, TrustIndiana limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

There were no investments in any one issuer that represent 5% or more of the total Pool investments.

### *Securities Lending Credit Risk*

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent under an agreement which requires the loaned securities to be collateralized in the form of (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in an amount at least equal to 102% of the current market value of the loaned securities. The net income earned through securities lending is recorded as additional income to the Pool.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

## **2. Pension and Other Employee Benefit Trust Funds – Primary Government**

### *State Police Pension Fund*

**Investment Policy** – The Indiana State Police Pension Trust was established in 1937 to provide pension, death, survivor, and other benefits to present and former employees of the department and their beneficiaries who meet the statutory requirement for such benefits.

Indiana Code 10-1-2-2(c), established the prudent investor standard as the primary statutory provision governing the investment of the Trust's assets. IC 10-1-2-2 (c) reads as follows:

The trust fund may not be commingled with any other

funds and shall be invested only in accordance with Indiana laws for the investment of trust funds, together with such other investments as are specifically designated in the pension trust. Subject to the terms of the pension trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary for the trust fund. However, the Trustee shall invest the trust fund assets with the same care, skill, prudence, and diligence, that a

prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Trustee shall also diversify such investments in accordance with prudent investment standards.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities:

| <b>State Police Pension<br/>(Amounts in thousands)</b> |             |                   |             |                   |
|--------------------------------------------------------|-------------|-------------------|-------------|-------------------|
| Investment Type                                        | S & P       |                   | Moody's     |                   |
|                                                        | Ratings     | Fair Value        | Ratings     | Fair Value        |
| U.S. Treasuries                                        | AAA         | \$ 11,985         | Aaa         | \$ 11,985         |
| U.S. Agencies                                          | AAA         | 22                | Aaa         | 22                |
| Government Assets and Mortgage Backed Securities       | AAA         | 10,257            | Aaa         | 10,257            |
| Collateralized Mortgage Obligations                    |             |                   |             |                   |
| Corporate CMO's                                        | AAA         | 51                | Aaa         | 51                |
| Government CMOs                                        | AAA         | 6,836             | Aaa         | 6,836             |
| Corporate Bonds                                        | AA          | 2,387             | Aa          | 3,038             |
|                                                        | A           | 14,115            | A           | 12,911            |
|                                                        | BBB         | 10,790            | Baa         | 9,763             |
|                                                        | BB          | 1,408             | Ba          | 3,834             |
|                                                        | B           | -                 | B           | 60                |
|                                                        | CCC & Below | 1,283             | CCC & Below | 1,283             |
|                                                        | NR          | 906               | NR          | -                 |
| Corporate Asset Backed                                 | AAA         | 16,388            | Aaa         | 10,451            |
|                                                        | AA          | -                 | Aa          | 2,193             |
|                                                        | A           | 3,185             | A           | 2,493             |
|                                                        | BBB         | 7,031             | Baa         | 8,218             |
|                                                        | BB          | 414               | Ba          | 2,149             |
|                                                        | B           | 507               | B           | 4,536             |
|                                                        | CCC & Below | 875               | CCC & Below | 1,638             |
|                                                        | NR          | 3,920             | NR          | 642               |
| Foreign Bonds                                          | AA          | 37                | Aa          | -                 |
|                                                        | NR          | -                 | NR          | 37                |
| Private Placements                                     | AAA         | 552               | Aaa         | 33                |
|                                                        | AA          | 1,540             | Aa          | 1,616             |
|                                                        | A           | 1,295             | A           | 2,821             |
|                                                        | BBB         | 4,669             | Baa         | 3,513             |
|                                                        | BB          | -                 | Ba          | 73                |
|                                                        | B           | 599               | B           | 599               |
| Municipal Bonds                                        | AAA         | 1,011             | Aaa         | -                 |
|                                                        | AA          | 1,875             | Aa          | 487               |
|                                                        | NR          | 494               | NR          | 2,893             |
| Money Market Mutual Funds                              | AAA         | 10,253            | Aaa         | 10,253            |
|                                                        | NR          | 571               | NR          | 571               |
| Total                                                  |             | <u>\$ 115,256</u> |             | <u>\$ 115,256</u> |

### *Custodial Credit Risk*

**Deposits** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2009, the balance of the State Police Pension Trust deposits was covered in full by federal

depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**Investment Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are

uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the customer. None of the Indiana State Police Pension Trust's investments are exposed to custodial credit risk because they are held in the name of the Indiana State Police Pension Trust. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodian's failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Indiana State Police Trust has ten different investments managers. The purchase of securities in any one nongovernmental corporation shall be limited to an initial cost of 5% of the market value of an investment manager's portfolio. Additionally, the following limits are set to further limit credit exposure:

**Large/Mid/Small Capitalization Equity Managers:** equity holdings in any one company should not exceed 7.5% of the market value of the investment manager's portion of the Fund's portfolio. Equity holdings in any one industry should not exceed 25% of the market value of the investment manager's portion and equity holdings in any one sector should not exceed 35% of the investment manager's portfolio market value.

**Non-US Equity Investment Managers:** equity holdings

in any one international company shall not exceed 7.5% of the total value of all investments in international equity securities and equity holdings in any one country shall not exceed 35% of all investments in international equity securities.

**Domestic Core Fixed/ Domestic Core Plus/Hybrid Managers:** securities of any one issuer is limited to not more than 5% of the investment manager's portion of the portfolio measured at market value. Securities backed by the full faith and credit of the United States Government or any of its instrumentalities shall not be subject to exposure limitations. Investments in high-yield and non-US debt securities should be limited to 20% high-yield and 20% non-U.S. debt with a combined exposure to those sectors not to exceed 30%.

There were no investments in any one issuer that represents 5% or more of the total investments.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Fund's policy for controlling its exposure to interest rate fluctuations should be viewed with the appropriate perspective. A long-term strategy was employed to achieve the Fund's objectives, but there was consideration given to the short-term liquidity needs to meet disbursements required by the Fund. The asset allocation and investment manager structure was designed to tolerate some interim fluctuations in market value while maintaining a long-term return objective to exceed the actuarial assumed interest rate of 7%.

The following table provides the interest rate risk disclosure for the Indiana State Police Pension Fund:

| <b>State Police Pension</b><br>(Amounts in thousands) |                   |                                         |                  |                  |                     |
|-------------------------------------------------------|-------------------|-----------------------------------------|------------------|------------------|---------------------|
| <b>Investment Type</b>                                | <b>Fair Value</b> | <b>Investment Maturities (in Years)</b> |                  |                  |                     |
|                                                       |                   | <b>Less than 1</b>                      | <b>1 - 5</b>     | <b>6 - 10</b>    | <b>More than 10</b> |
| U.S. Treasuries                                       | \$ 11,985         | \$ 2,092                                | \$ 7,764         | \$ 1,771         | \$ 358              |
| U.S. Agencies                                         | 17,115            | 6                                       | 394              | 660              | 16,055              |
| Collateralized Mortgage Obligations                   |                   |                                         |                  |                  |                     |
| Corporate CMO's                                       | 51                | -                                       | -                | 51               | -                   |
| Corporate Bonds                                       | 30,889            | -                                       | 5,699            | 15,497           | 9,693               |
| Corporate Asset Backed                                | 32,320            | -                                       | 1,911            | 992              | 29,417              |
| Foreign Bonds                                         | 37                | -                                       | 37               | -                | -                   |
| Private Placements                                    | 8,655             | 45                                      | 3,370            | 1,402            | 3,838               |
| Municipal Bonds                                       | 3,380             | -                                       | -                | 427              | 2,953               |
| Money Market Mutual Funds                             | 10,824            | 10,824                                  | -                | -                | -                   |
| <b>Total Fixed Income Securities</b>                  | <b>\$ 115,256</b> | <b>\$ 12,967</b>                        | <b>\$ 19,175</b> | <b>\$ 20,800</b> | <b>\$ 62,314</b>    |

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

**Securities Lending Credit Risk** - The Treasurer of

State is authorized by Indiana Cod 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, and agency of the

United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State Police Pension Trust had no securities on loan and thus no credit risk exposure.

#### *State Employee Retiree Health Benefit Trust Fund*

Investment Policy – Indiana Code, Title 5, Article 13, Chapters 9, 10, and 10.5, establishes the investment powers and guidelines regarding the State of Indiana investments. However, the Retiree Health Benefit Trust Fund has separate investment authority as established under Indiana Code 5-10-8-8.5 (b). The Treasurer of State shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested. There is no formal investment policy for the investment of these funds other than compliance to State statute. State statute does not establish any parameters or guidelines related to the concentration of investment risk, investment credit risk, nor interest rate risk.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The following table provides information on the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities:

| State Employee Retiree Health Benefit Trust Fund<br>(Amounts are in thousands) |         |            |         |            |
|--------------------------------------------------------------------------------|---------|------------|---------|------------|
| Investment Type                                                                | S & P   |            | Moody's |            |
|                                                                                | Ratings | Fair Value | Ratings | Fair Value |
| U.S. Agencies                                                                  | AAA     | \$ 76,885  | Aaa     | \$ 76,885  |
| Total                                                                          |         | \$ 76,885  |         | \$ 76,885  |

#### *Custodial Credit Risk*

**Deposits** – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2009, the balance of the State of Indiana's deposits was covered in full by federal depository insurance or by the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

**Investment Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State of Indiana. None of the State's investments are exposed to custodial credit risk because they are held in the name of the State of Indiana. Additionally, the Treasurer of State requires all custodians to indemnify the State against all out-of-pocket expenses or losses incurred as a result of (i) the custodian's operational failure, (ii) custodians failure to carry out the credit analysis, (iii) custodian's failure to maintain proper collateral for each loan, or (iv) failure of an approved counterparty to comply with its obligations under the applicable securities lending agreement.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer representing 5% or more of the total investments. The only exemptions from disclosures are US Government Debt, US Government Guaranteed Investments, Mutual Funds, or External Investment Pools.

There were no investments in any one issuer that represent 5% or more of the total Trust Fund that would require disclosure.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There was no foreign currency risk.

**Securities Lending Credit Risk** - The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities.

At year end, the State had no credit risk exposure to any borrowers because the amount the State owes the borrowers exceeds the amounts the borrowers owe the State.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following is a summary of the Interest Rate Risk Disclosure as of June 30, 2009:

| State Retiree Health Benefit Trust<br>(Amounts in thousands) |            |                                        |
|--------------------------------------------------------------|------------|----------------------------------------|
| Investment Type                                              | Fair Value | Investment<br>Maturities (in<br>Years) |
|                                                              |            | Less than 1                            |
| U.S. Treasuries                                              | \$ 76,885  | \$ 76,885                              |
| Total Fixed Income Securities                                | \$ 76,885  | \$ 76,885                              |

### 3. Pension Trust Funds – Discrete Component Units

#### Public Employees' Retirement System

**Investment Guidelines and Limitations** – The Indiana General Assembly enacted the prudent investor standard to apply to the PERF Board of Trustees and govern all its investments. Under the statute (IC 5-10.3-5-3(a)), the PERF Board of Trustees must “invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.” The PERF Board of Trustees also is required to diversify such investments in accordance with the prudent investor standard.

Within these governing statutes, the PERF Board of Trustees has broad authority to invest the assets of the plans. The PERF Board of Trustees utilizes external investment managers, each with specific mandates to implement the investment program. Depending on the mandate and the contractual agreement with the investment manager, investments may be managed in separate accounts, commingled accounts, mutual funds or other structures acceptable to the PERF Board of Trustees.

The PERF Board of Trustees approved a new asset allocation for the Consolidated Retirement Investment Fund (CRIF) on October 17, 2008 as follows:

| Asset Classes                            | Target<br>Norm - % | Allowable Ranges - % |
|------------------------------------------|--------------------|----------------------|
| Equities - Domestic                      | 15                 | 10 - 20              |
| Equities - International                 | 15                 | 10 - 20              |
| Equities - Global                        | 10                 | 5 - 15               |
| Fixed Income - Core & Core-Opportunistic | 20                 | 15 - 25              |
| Fixed Income - TIPS                      | 10                 | 5 - 15               |
| Alternatives – Private Equity            | 10                 | 5 - 15               |
| Alternatives – Real Assets               | 10                 | 5 - 15               |
| Alternatives – Absolute Return           | 10                 | 5 - 15               |

Investments in the PERF annuity savings accounts and Legislators' Defined Contribution plan are

directed by the members in each respective plan and as such the asset allocation will differ from that of the CRIF. The Pension Relief Fund is invested to a target of seventy percent Fixed Income – Core and thirty percent Equities – Domestic. The Special Death Benefit Funds are one hundred percent fixed income.

The following investment types, unless otherwise approved by the PERF Board of Trustees, are prohibited by the PERF investment policy statement IPS (IPS):

- Short sales of any kind.
- Repurchase agreements that may create any kind of leverage in the portfolio.
- Repurchase agreements as non cash equivalents.
- Purchases of letter or restricted stock.
- Buying or selling on the margin.
- Purchases of futures and options.
- Entrance into swap agreements.
- Purchases of derivative securities which have any of the following characteristics: leverage, indexed principal payment, or links to indices representing investments.
- Purchases of interest only or principal only collateralized mortgage obligations.
- Any transaction that would be a “prohibited transaction” under the Internal Revenue Code Section 503.
- Purchases of inverse floaters.

**Deposit Risks** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to \$250,000 each. Deposits in the demand accounts held in excess of \$250,000 are not collateralized. Deposits with the Indiana Treasurer of State are entirely insured. Deposits held with the investment custodian are insured up to \$250,000.

| Cash Deposits (dollars in thousands)    | Total    | JP Morgan Chase | National City Bank | Bank of New York Mellon |
|-----------------------------------------|----------|-----------------|--------------------|-------------------------|
| Demand deposit account – carrying value | \$919.1  | \$795.5         | \$61.9             | \$61.7                  |
| Demand deposit account – bank balance   | 85,070.6 | 77,103.3        | 83.1               | 7,884.2                 |
| Held with Treasurer of State            | 54,657.9 | -               | -                  | -                       |
| Held with investment Cash               | 32,248.8 | -               | -                  | -                       |

**Credit Risk** – PERF's IPS sets credit quality rating guidelines and benchmark indices for each of its sub-asset classes and is outlined in each portfolio manager contract. The guidelines and benchmarks are as follows: the Enhanced Index and Core fixed income portfolio (excluding TIPS) must maintain an

average credit quality rating of at least A1 (Moody's) or the equivalent; securities must be rated at least Baa3 (Moody's) or the equivalent at the time of purchase unless specifically approved by the PERF Board of Trustees. The Core-Opportunistic fixed income portfolio must maintain an average credit quality rating of at least investment grade by Moody's or the equivalent. The benchmark for the fixed income portfolio is the Barclays Capital Aggregate Bond Index and Barclays Capital Universal Bond Index; and the Treasury Inflation Protection Securities (TIPS) portfolio must substantially match the quality of its benchmark, the Barclays Capital US TIPS Index. The quality rating of investments in debt securities as described by the Nationally Recognized Statistical Rating Organization (NRSRO) Standard and Poor's at June 30, 2009 is as follows:

| Quality Rating<br>(dollars in<br>millions) | Fair Value | Percent of<br>Portfolio |
|--------------------------------------------|------------|-------------------------|
| AAA                                        | \$2,692.1  | 54.4                    |
| AA                                         | 88.3       | 1.8                     |
| A                                          | 347.7      | 7.0                     |
| A-1                                        | 109.8      | 2.2                     |
| BBB                                        | 457.4      | 9.3                     |
| BB                                         | 79.0       | 1.6                     |
| B                                          | 49.5       | 1.0                     |
| CCC                                        | 21.3       | 0.4                     |
| CC                                         | 5.4        | 0.1                     |
| C                                          | 0.7        | 0.0                     |
| D                                          | 0.2        | 0.0                     |
| Not Rated                                  | 1,097.6    | 22.2                    |
| Total                                      | \$4,949.0  | 100                     |

The credit risk schedule includes debt securities, short-term money market funds, bond mutual funds and bond commingled funds. Of the total fair value reported, approximately \$2.3 billion (46.2 percent) is AAA rated US Treasury, US Agency or US Agency Mortgage Backed Securities. The remaining balance of approximately \$2.6 billion (53.8 percent) consists of corporate debt, short-term custodial money market funds, commingled or mutual funds, municipal securities, asset-backed, mortgage-backed securities, and emerging markets debt of various credit quality ratings.

The \$1.1 billion not rated by Standard & Poor's is primarily in money market funds, mutual funds, or commingled funds.

**Custodial Credit Risk** – Custodial credit risk is the risk that the PERF will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter

party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of PERF and are held by either the counterparty or the counterparty trust department's agent, but not in PERF's name.

There was no custodial credit risk for investments including investments related to securities-lending collateral as of June 30, 2009. Per IC 5-10.3-5-4(a) and IC 5-10.3-5-5, securities held for the fund are held by banks under custodial agreements in the fund's name. While PERF's Investment Policy Statement does not specify custodial risk, statutes provide certain custodial requirements.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. PERF's IPS limits the purchase of securities of any one issuer (with the exception of the US Government and its agencies) to an initial cost of 5 percent or two times the benchmark weight of the market value of an investment manager's portfolio, whichever is greater. Through capital appreciation, no such holding should exceed 10 percent of the market value of the total holdings of such investment manager's portfolio, unless the Board approves an exception.

For investment managers contracted to manage concentrated portfolios, exposure to the securities issued by a single issuer (with the exception of the U.S. Government and its agencies) is limited to 7.5 percent or two times the benchmark weight of the investment manager's portfolio, whichever is greater. Through capital appreciation, no such holdings should exceed 15 percent of the market value of the total holdings of the investment manager's portfolio, unless the Board approves an exception.

At June 30, 2009, there was no concentration of credit risk for the CRIF.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. Duration is a measure of interest rate risk. The greater the duration of a bond or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration is an indicator of a bond price's sensitivity to a 100 basis point change in interest rates.

PERF's IPS sets duration guidelines for the fixed income investment portfolio. The Indexed and Enhanced Index fixed income portfolios must substantially match the duration characteristics of the

benchmark index. The Core fixed income portfolio limits the duration of the portfolio to not vary more than 20 percent above or below the duration of the applicable benchmark index. The duration of the Core-Opportunistic portfolio may not vary more than 5 years above or below the duration of the benchmark index.

Duration information is provided below:

| <b>Investment Type<br/>(dollars in<br/>millions)</b>         | <b>Net Asset<br/>Fair Value</b> | <b>% of Net<br/>Asset Fair<br/>Value</b> | <b>Duration</b> |
|--------------------------------------------------------------|---------------------------------|------------------------------------------|-----------------|
| Short-term<br>Investment Fund                                | \$879.6                         | 15.9                                     | 0.00            |
| Government &<br>Agency Obligations                           | 1,285.7                         | 23.2                                     | 4.35            |
| Residential &<br>Commercial<br>Mortgage-Backed<br>Securities | 1,367.1                         | 24.7                                     | 2.52            |
| Corporate Bonds                                              | 1,050.4                         | 18.9                                     | 5.46            |
| Asset-backed                                                 | 117.6                           | 2.1                                      | 0.92            |
| Municipal<br>Securities                                      | 21.6                            | 0.4                                      | 7.90            |
| Other <sup>1</sup>                                           | 822.0                           | 14.8                                     | 1.17            |
| <b>Total Net Asset<br/>Fair Value</b>                        | <b>\$5,544.0</b>                | <b>100</b>                               | <b>2.89</b>     |

<sup>1</sup> Includes mutual funds, collective trusts, and derivatives

PERF investments are directly, or indirectly, sensitive to changes in the interest rate environment. Some derivative products, identified in the derivatives financial instruments section, are also sensitive to interest rate risk. Debt securities, debt securities mutual funds and commingled funds, and short-term cash and cash-equivalents represent the portions of the portfolio most sensitive to interest rate risk and are included in the duration information.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. PERF's foreign currency exposure is focused primarily in international and global equity holdings. Futures currency contracts are reported in the following schedule at gross exposure value. Forward currency contracts values included both receivables and payables.

PERF's IPS refers to foreign currency guidelines that are linked directly, or indirectly, to the benchmark indices for each sub-asset class or as outlined in each portfolio manager contract. The equity portfolio sub-asset classes have specific guidelines for international equities and global equity investments. Certain sub-asset classes do not allow emerging markets

investments while some allow up to 30 percent of market value to be held in emerging markets. PERF has exposure to foreign currency fluctuation as follows:

| <b>Currency (dollars<br/>in millions)</b> | <b>Total Fair Value</b> | <b>% of<br/>Foreign<br/>Currency</b> |
|-------------------------------------------|-------------------------|--------------------------------------|
| Euro                                      | \$663.8                 | 31.7                                 |
| Japanese Yen                              | 401.2                   | 19.1                                 |
| Pound Sterling                            | 336.5                   | 16.0                                 |
| Australian Dollar                         | 135.2                   | 6.5                                  |
| Hong Kong Dollar                          | 117.7                   | 5.6                                  |
| Swiss Franc                               | 80.1                    | 3.8                                  |
| Other                                     | 362.5                   | 17.3                                 |
| <b>Total</b>                              | <b>\$2,097.0</b>        | <b>100.0</b>                         |

**Securities Lending** – Indiana Code 5-10.2-2-13(d) provides that the PERF Board of Trustees may authorize a custodian bank to enter into a securities lending program agreement under which securities held by the custodian on behalf of PERF may be loaned. The purpose of such a program is to provide additional revenue for PERF.

Statute requires that collateral initially in excess of the total market value of the loaned securities must be pledged by the borrower, and must be maintained at no less than the total market value of the loaned securities. The PERF Board of Trustees requires that collateral securities and cash be initially pledged at 102 percent of the market value of the securities lent. No more than 40 percent of the CRIF's total assets may be lent at one time. The custodian bank and/or its securities lending subagents provide 100 percent indemnification to the PERF Board of Trustees and the CRIF against borrower default, overnight market risk, and failure to return loaned securities. Securities received as collateral cannot be pledged or sold by the PERF Board of Trustees unless the borrower defaults. PERF retains the market value risk with respect to the investment of the cash collateral. During the reporting period through June 30, 2009, PERF experienced a credit event that negatively impacted the value of the collateral pool. Given PERF's high liquidity profile, this event did not materially impact the liquidity of the securities lending portfolio. PERF will inject capital into the pool during fiscal year 2010 to bring the value of the collateral pool back to 102% of the market value of securities lent.



Cash collateral investments are subject to the investment guidelines specified by PERF's IPS. It states that the maximum weighted average days to maturity may not exceed 60. The average term to maturity of the cash collateral portfolio was approximately 17 days at June 30, 2009. The securities lending agent match the maturities of the cash collateral investments with stated securities loans' termination dates. Cash collateral received for open-ended loans that can be terminated on demand are invested with varying maturities.

The fair value of securities lent for cash collateral at June 30, 2009, was:

| <b>Investment Type<br/>(dollars in millions)</b> | <b>Loan Value</b> |
|--------------------------------------------------|-------------------|
| Government Obligation                            | \$903.8           |
| Corporate Bonds                                  | 75.6              |
| Equities                                         | 1,336.8           |
| <b>Total Fair Value</b>                          | <b>\$2,316.2</b>  |

The credit quality of the cash collateral investments as described by Standard and Poor's at June 30, 2009, was:

| <b>Cash Collateral<br/>Investments Quality<br/>Rating (dollars in<br/>millions)</b> | <b>Fair Value</b> | <b>Percent of<br/>Portfolio</b> |
|-------------------------------------------------------------------------------------|-------------------|---------------------------------|
| AAA                                                                                 | \$ 83.3           | 3.5                             |
| AA                                                                                  | 80.0              | 3.4                             |
| A-1 and A-1+                                                                        | 2,118.8           | 89.5                            |
| A2                                                                                  | 25.0              | 1.1                             |
| Not Rated                                                                           | 60.1              | 2.5                             |
| <b>Total</b>                                                                        | <b>\$ 2,367.2</b> | <b>100</b>                      |

The majority of A-1 and A-1+ collateral investments are commercial paper. The majority of the Not Rated collateral investments are money market funds.

At June 30, 2009, PERF had loaned approximately \$36.2 million US Treasury and government agency obligations for securities collateral. The securities collateral value was approximately \$36.9 million which represented 102 percent coverage.

**Derivative Financial Instruments** – PERF's IPS authorizes the use of derivative instruments as a meaningful component of the strategies within the absolute return and commodities allocations. The fair value of total investments in the absolute return portfolio was \$716 million and the fair value of total investments in the commodities portfolio was \$349 million at June 30, 2009. PERF's directly held investments in derivatives are not leveraged. In the case of an obligation to purchase (long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to

sell (short a financial future or buy a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the PERF Board of Trustees, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, PERF's derivative investments included but were not limited to, foreign currency forward contracts, SWAPS, options, and futures.

Foreign currency forward contracts are used to hedge against the currency risk in PERF's foreign equity stock and debt security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis.

At June 30, 2009, PERF's investments included the following currency forwards balances (dollars in millions):

|                                       |         |
|---------------------------------------|---------|
| Forward Currency Contract Receivables | \$451.8 |
| Forward Currency Contract Payables    | \$452.5 |

PERF's investment managers use financial futures to replicate an underlying security or index they wish to hold or sell in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security. Additionally, PERF's investment managers use futures contracts to adjust the portfolios risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio. Futures contracts may be used for the purpose of investing cash flows or modifying duration but in no

event may leverage be created by any individual security or combination of securities. At June 30, 2009, PERF's notional value in these futures totaled approximately \$1.4 billion.

**Long Term Commitments for Alternative Investments** – PERF had entered into long term commitments for funding alternative investments in private equity and private real estate of approximately \$2.9 billion as of June 30, 2009. The fund has disbursed approximately \$1.0 billion toward the commitments as of June 30, 2009. The expected investment term of these commitments extend through 2028. These amounts include five Euro-denominated and one Norwegian Kroner-denominated commitments to limited liability partnerships converted to United States dollars at the closing exchange rate as of June 30, 2009.

#### *State Teachers' Retirement Fund (TRF)*

**Investment Policy** - The Fund was established in 1915 to pay retirement, disability, death, and survivor benefits to public school teachers and administrators, regularly employed teachers at certain state universities and other educational institutions, and certain other educational employees. Pursuant to Indiana law and the Internal Revenue Code, TRF must be operated for the exclusive benefit of, and solely in the interest of, members and their beneficiaries. TRF is required by Indiana law to meet all rules applicable to a qualified plan under Section 401 of the Internal Revenue Code, in order to provide the ensuing tax advantages to its members. In addition, TRF is a trust, exempt from taxation under Section 501 of the Internal Revenue Code. The Fund is also governed by Indiana statutes and administrative rules. See IC 5-10.2 and IC 5-10-4.

Whereas, the general assembly also believes that a prudent diversification of investments by public retirement funds is an essential element of a stringent investment standard for such funds and is critical for the future; and whereas, the general assembly finds that numerous actuarial studies of retirement funds in Indiana and other states have demonstrated that, due to the long term nature of the investment made by public retirement funds, diversification of such investments in a responsible manner reduces risk, increases income, and improves security for such funds, while a lack of diversification results in reduced income and increased risk to the retirement funds, while creating a substantial additional burden for the taxpayers who ultimately bear the burden of providing the assets for such funds in the absence of sufficient investment income; and whereas, the general assembly desires to pass a diversification rule patterned after the stringent federal law applicable to private plans, which will provide that the trustees of

each fund must diversify the investments of their fund so as to minimize the risk of large losses. Thus, the primary governing statutory provision is that the Board must invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Board is also required to diversify such investments in accordance with prudent investment standards. IC 5-10.4-3-10."

It is the responsibility of the Board of Trustees to determine the allocation of assets among distinct capital markets in accordance with allowable legal limits.

The strategic asset allocation for employer assets effective on June 30, 2009 is as follows:

|                        |      |
|------------------------|------|
| Domestic Equities      | 29%  |
| International Equities | 20%  |
| Private Equity         | 10%  |
| Real Estate            | 8%   |
| Absolute Return        | 7%   |
| Commodities            | 1%   |
| Fixed Income           | 25%  |
| Total                  | 100% |

The asset allocation for the guaranteed fund, which are employee assets in the member's Annuity Savings Accounts, is 90% fixed income securities and 10% equity securities.

**Credit Risk** - The credit risk of investments is the risk that the issuer will default and not meet their obligation. This credit risk is measured by the credit quality ratings issued by national rating agencies such as Moody's and Standard and Poor's. The Fund's credit risk of investments policy is set on a manager by manager basis.

The following table (in thousands of dollars) provides information on the credit ratings associated with the Fund's investments in debt securities. Ratings were obtained from Moody's.

| Rating                   | Fair Value   | Percentage of Portfolio |
|--------------------------|--------------|-------------------------|
| Aaa                      | \$ 918,527   | 23.9%                   |
| US Government Guaranteed | 912,148      | 23.8%                   |
| Aa                       | 134,994      | 3.5%                    |
| A                        | 380,524      | 9.9%                    |
| Baa                      | 472,897      | 12.3%                   |
| Ba                       | 121,427      | 3.2%                    |
| B                        | 12,362       | 0.3%                    |
| Caa                      | 49,173       | 1.3%                    |
| Ca                       | 20,824       | 0.5%                    |
| C                        | 642          | 0.0%                    |
| Unrated                  | 816,085      | 21.3%                   |
| Total                    | \$ 3,839,603 | 100.0%                  |

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the Fund.

There was no custodial credit risk for investments including investments related to securities-lending collateral. Per IC 5-10.4-3-13, all fund investments are held by banks under custodial agreements and all custodians must be domiciled in the United States.

**Deposit Risks** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the demand deposit account are carried at cost and are insured up to \$250,000 each. Deposits in the demand accounts held in excess of \$250,000 are not collateralized. Deposits with the Treasurer of State are entirely insured. Cash Deposits held with the custodian are carried at cost and are not insured or collateralized.

| <b>Assets Exposed (dollars in thousands):</b> |               |
|-----------------------------------------------|---------------|
| Demand Deposit Account – Bank Balance         | \$15,956      |
| Margin Deposits with Brokers                  | 22,946        |
| Cash Collateral with Counterparty             | 6,390         |
| Cash Held with Custodian                      | 5,842         |
| <b>Total Exposed</b>                          | <b>51,134</b> |

**Concentration of Credit Risk** – As of June 30, 2009, TRF did not have investments in any one issuer, other than securities issued or guaranteed by the U.S. government that represented more than 5% of net investments.

**Interest Rate Risk** – The Fund uses the Barclays Capital Aggregate Index as the benchmark for performance measurement of domestic fixed income managers and various other indices for international fixed income managers.

As of June 30, 2009, the Fund had the following duration information (dollars in thousands):

| <b>Investment Type:</b>               | <b>Net Asset Fair Value</b> | <b>% of Net Asset Fair Value</b> | <b>Effective Duration</b> |
|---------------------------------------|-----------------------------|----------------------------------|---------------------------|
| Short Term Investment Funds           | \$ 413,505                  | 10.8%                            | 0.00                      |
| Short Term Bills and Notes            | 94,064                      | 2.5%                             | 0.39                      |
| Commercial Paper                      | 2,800                       | 0.1%                             | 0.00                      |
| Asset-Backed Securities               | 44,388                      | 1.2%                             | 2.40                      |
| Commercial Mortgage-Backed Securities | 217,391                     | 5.7%                             | 4.93                      |
| Corporate Bonds                       | 1,152,989                   | 30.1%                            | 5.05                      |
| Corporate Bonds                       | 114,099                     | 3.0%                             | N/A                       |
| Index Linked Government Bonds         | 29,503                      | 0.8%                             | 4.09                      |
| Guaranteed Fixed Income               | 23,768                      | 0.6%                             | 1.38                      |
| Government Agencies                   | 203,673                     | 5.3%                             | 4.60                      |
| Government Bonds                      | 632,980                     | 16.5%                            | 4.20                      |
| Government Mortgage Backed Securities | 731,637                     | 19.1%                            | 3.36                      |
| Bank Loans                            | 58,998                      | 1.5%                             | N/A                       |
| Municipal/Provincial Bonds            | 8,061                       | 0.2%                             | 6.97                      |
| Collateralized Mortgage Obligations   | 26,149                      | 0.7%                             | 1.39                      |
| Duration Not Available                | 73,803                      | 1.9%                             | N/A                       |
| <b>Total</b>                          | <b>\$ 3,827,808</b>         | <b>100%</b>                      |                           |

**Foreign Currency Risk** – As of June 30, 2009, 12.8% of the Fund's investments were in foreign currencies. The Fund does not have a formal policy relating to foreign currency risk. The table below breaks down the Fund's exposure to each foreign currency (in thousands of dollars):

| <b>Currency</b>        | <b>Total Fair Value</b> | <b>Percent of Total Fund Fair Value</b> |
|------------------------|-------------------------|-----------------------------------------|
| Euro Currency Unit     | \$ 330,289              | 4.6%                                    |
| Japanese Yen           | 198,757                 | 2.8%                                    |
| British Pound Sterling | 129,471                 | 1.8%                                    |
| Australian Dollar      | 60,634                  | 0.9%                                    |
| Swiss Franc            | 37,591                  | 0.5%                                    |
| Hong Kong Dollar       | 29,484                  | 0.4%                                    |
| Canadian Dollar        | 24,967                  | 0.4%                                    |
| Norwegian Krone        | 22,965                  | 0.3%                                    |
| Swedish Krona          | 16,435                  | 0.2%                                    |
| Other                  | 67,110                  | 0.9%                                    |
| <b>Totals</b>          | <b>\$ 917,703</b>       | <b>12.8%</b>                            |

**Securities Lending** – State statutes and the Board of Trustees permit the Fund to lend securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Fund's custodial bank manages the securities lending program and receives securities or cash as collateral. The Fund's custodial bank maintains a list of broker-dealers that have passed their credit analysis and are eligible to borrow securities. In addition the Fund can have any borrower removed from this list by requesting the custodian not lend to this borrower. The collateral securities cannot be pledged or sold by the Fund unless the borrower defaults, but cash collateral may be invested by the Fund. Collateral securities and cash are initially pledged at 102% of the market value of domestic securities lent and 105% on international securities lent. Collateral is adjusted to the market on a daily basis. No more than 40% of TRF's total assets may

be lent at any one time. At year-end, TRF has no credit risk exposure to borrowers because the amount TRF owes the borrowers exceed the amounts the borrowers owe TRF.

Approximately 25% of the securities loans can be terminated on demand either by the Fund or by the borrower, although generally the average term of these loans is one day. Total cash collateral of \$152 million is invested in a pooled fund. As of June 30, 2009, TRF had an \$11.8 million liability allocated to the TRF's Investment portfolio relating to a difference in the book value of the assets of the pooled fund over the market value of the assets in that fund.

As of June 30, 2009, the Fund had the following securities on loan (in thousands):

| Security Type        | Market Value of<br>Loaned<br>Securities<br>Collateralized by<br>Cash | Market Value of<br>Loaned<br>Securities<br>Collateralized by<br>Noncash | Total<br>Securities<br>Loaned |
|----------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------|
| Global Equities      | \$ 13,118                                                            | \$ 1,310                                                                | \$ 14,428                     |
| U.S. Agencies        | 1,255                                                                | -                                                                       | 1,255                         |
| U.S. Corporate Fixed | 9,341                                                                | -                                                                       | 9,341                         |
| U.S. Equities        | 53,213                                                               | 30                                                                      | 53,243                        |
| U.S. Gov't Fixed     | 70,896                                                               | -                                                                       | 70,896                        |
| Total                | \$ 147,823                                                           | \$ 1,340                                                                | \$ 149,163                    |

**Outstanding Short Sales –** Short sales occur when investments have been sold which are not yet owned by the fund. Prior to settlement of the sale, the investments will be procured. For the investments directly held by the fund within the custody accounts, the outstanding short sales are included as accounts receivable from sales of investments and as negative investments. A schedule of the negative investments as of June 30, 2009 is listed below. These investments reduced the debt securities investments shown on the balance sheet. These transactions involve market risk as the asset to be delivered may become more costly to procure and then losses would be realized.

A schedule of the outstanding short sales at June 30, 2009 follows (dollars in thousands):

| Type of Investment         | Total Short<br>Sales |
|----------------------------|----------------------|
| U.S. Treasuries            | \$ 13,219            |
| Government Mortgage Backed | 13,277               |
| Total                      | \$ 26,496            |

**Derivative Financial Instruments –** TRF invested in derivative financial investments as authorized by Board policy. A derivative security is an investment whose payoff depends upon the value of other assets, such as commodity prices, bond and stock prices, or market index. In the case of an obligation to purchase

(long a financial future or a call option), the full value of the obligation is held in cash or cash equivalents. For obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts, and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. During the year, TRF's derivative investments included cash and cash equivalent futures, equity derivatives–options, fixed income derivatives–options, rights/warrants, swaps, foreign currency forward contracts, collateralized mortgage obligations (CMOs), treasury inflation protected securities (TIPS), and futures.

TRF's investment managers use financial futures to replicate an underlying security or index they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, TRF's investment managers use futures contracts to adjust the portfolio's risk exposure. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. Financial future positions are recorded with a corresponding offset, which results in a carrying value equal to zero. At June 30, 2009, the total offset was \$354.8 million. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The cash or securities to fulfill these obligations are held in the investment portfolio.

Cash and cash equivalent futures are used to manage exposure at the front end of the yield curve. These include swaps with a duration of one year or less, and Eurodollar, Euribor and other futures based on short-term interest rates. At June 30, 2009, TRF had no notional value in these instruments.

Equity derivatives–futures are used to gain exposure to an index or market sector. These may offer an opportunity to outperform due to active management of the liquid portfolio backing the exposure. Exposure is backed by underlying fixed-income portfolio. At June 30, 2009, TRF's equity derivatives position had a

notional value of \$284.4 million and an offset of an equal value of \$284.4 million.

Fixed income derivatives—futures are used to manage interest rate fluctuations. At June 30, 2009, TRF's fixed income futures had a notional value of \$40.6 million and an offset of an equal value of \$40.6 million. Commodity futures are used to gain exposure to a particular commodity. At June 30, 2009, TRF's commodity futures had a notional value of \$29.8 million and an offset of an equal value of \$29.8 million.

Stock rights/warrants give the holder the right to buy a stock at a certain price until a certain date. At June 30, 2009, the carrying value of TRF's stock rights and warrants totaled \$0.1 million.

Swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("received fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure. At June 30, 2009, the market value of TRF's swaps was \$10.9 million and swap liabilities totaled \$10.1 million.

Foreign currency contracts are used to hedge against currency risk and to purchase investments in non-dollar currencies. A foreign currency contract is an agreement to buy and sell a specific amount of foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency contracts are marked to market on a daily basis. At June 30, 2009, TRF had Pending Foreign Exchange purchases of \$122.8 million and Pending Foreign Exchange sales of \$123.3 million.

TRF's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed

income portfolio. As of June 30, 2009, the carrying value of TRF's CMO holdings totaled \$60.9 million.

Treasury inflation protected securities (TIPS) are used by TRF's fixed income managers to provide a real return against inflation (as measured by the Consumer Price Index). As of June 30, 2009, TRF had \$106.6 million in TIPS holdings.

TRF has two investment accounts that use absolute return strategies. One account uses a Pure Alpha strategy, where value is added through a broadly diversified active portfolio of global fixed income, currency, equity, inflation-indexed bond, EMD, EMFX, and Option markets. As of June 30, 2009, TRF had \$72.3 million invested in this strategy. The other account is based on the concept of mean reversion. This strategy uses both top-down and bottom-up valuation methodologies to value asset classes, countries and individual securities in order to allocate assets to undervalued countries, currencies and securities. As of June 30, 2009, TRF had \$113.1 million invested in this strategy.

Partnership Investments – The Board of Trustees had approved commitments and TRF had entered into agreements to fund limited liability partnerships of \$1,111.8 million as of June 30, 2009. The Fund had a net asset value of \$428.4 million as of June 30, 2009, invested in these partnerships. The funding period for the amounts that TRF has already committed is from April 2002 to approximately June 2018. The outstanding commitments at June 30, 2009, totaled \$519.9 million.

## **B. Interfund Transactions**

### **Interfund Loans**

Interfund loans of \$39.9 million represents amounts owed by the Bureau of Motor Vehicles Commission Fund to the Motor Vehicle Highway Fund.

As explained in Note III(A) above, temporary cash overdrafts in various funds are reported as interfund loans from the General Fund. As of June 30, 2009,

the following funds had temporary cash overdrafts covered by loans from the General Fund: Welfare Medicaid Administration Fund, \$0.6 million, the Federal Food Stamp Program Fund, \$8.0 million, and the Major Construction Army National Guard Fund, a non-major capital projects fund, \$4.9 million.

The following is a summary of the Interfund Loans as of June 30, 2009:

| <b>Interfund Loans - Current</b> |                                   |                                     |
|----------------------------------|-----------------------------------|-------------------------------------|
|                                  | Loans To<br>Governmental<br>Funds | Loans From<br>Governmental<br>Funds |
| <b>Governmental Funds</b>        |                                   |                                     |
| General Fund                     | \$ 13,558                         | \$ -                                |
| Motor Vehicle Highway Fund       | 39,913                            | -                                   |
| Nonmajor Governmental Funds      | -                                 | 53,471                              |
| <b>Total Governmental Funds</b>  | <u>53,471</u>                     | <u>53,471</u>                       |
| <b>Total Interfund Loans</b>     | <u>\$ 53,471</u>                  | <u>\$ 53,471</u>                    |

### Interfund Services Provided/Used

Interfund Services Provided of \$10.5 million represents amounts owed by various governmental funds to the Institutional Industries Fund and the

Administrative Services Revolving Funds, both internal service funds, for goods and services rendered.

The following is a schedule of Interfund Services Provided/Used as of June 30, 2009:

| <b>Interfund Services Provided/Used</b>       |                                                         |                                                     |
|-----------------------------------------------|---------------------------------------------------------|-----------------------------------------------------|
|                                               | Interfund Services<br>Provided To<br>Governmental Funds | Interfund Services<br>Used By<br>Governmental Funds |
| <b>Governmental Funds</b>                     |                                                         |                                                     |
| General Fund                                  | \$ -                                                    | \$ 3,579                                            |
| Motor Vehicle Highway Fund                    | -                                                       | 322                                                 |
| State Highway Department                      | -                                                       | 423                                                 |
| Nonmajor Governmental Funds                   | -                                                       | 6,165                                               |
| <b>Total Governmental Funds</b>               | <u>-</u>                                                | <u>10,489</u>                                       |
| <b>Proprietary Funds</b>                      |                                                         |                                                     |
| Internal Service Funds                        | 10,489                                                  | -                                                   |
| <b>Total Proprietary Funds</b>                | <u>10,489</u>                                           | <u>-</u>                                            |
| <b>Total Interfund Services Provided/Used</b> | <u>\$ 10,489</u>                                        | <u>\$ 10,489</u>                                    |

### Due From/Due Tos

*Current* – Interfund balance of \$32.1 million represents the accrued distribution amount from the State Lottery Commission to the Build Indiana Fund. The Indiana Finance Authority owed \$201 thousand to the General Fund.

*Non-current* – The interfund balance of \$50.0 million represents funds the General Fund borrowed in June 2004, interest free, from the Indiana Board for Depositories, a discretely presented component unit. This money is due to be repaid, either from the General Fund prior to January 1, 2013, or by a budget request submitted to the 2013 session of the general

assembly. This non-current interfund balance appears on the government-wide statements, but not the General Fund statements.

The following are current and non-current schedules of Due From/Due Tos of Component Units, as of June 30, 2009:

| <b>Component Units - Current</b> |                                |                                 |
|----------------------------------|--------------------------------|---------------------------------|
|                                  | Due From<br>Component<br>Units | Due To<br>Primary<br>Government |
| <b>Governmental Funds</b>        |                                |                                 |
| General Fund                     | \$ 201                         | \$ -                            |
| Nonmajor Governmental Funds      | 32,057                         | -                               |
| Total Governmental Funds         | 32,258                         | -                               |
| <b>Component Units</b>           |                                |                                 |
| Indiana Finance Authority        | -                              | 201                             |
| State Lottery Commission         | -                              | 32,057                          |
| Total Component Units            | -                              | 32,258                          |
| <b>Total Due From/To</b>         | <b>\$ 32,258</b>               | <b>\$ 32,258</b>                |

| <b>Component Units - Non-current</b> |                                   |                              |
|--------------------------------------|-----------------------------------|------------------------------|
|                                      | Due From<br>Primary<br>Government | Due To<br>Component<br>Units |
| <b>Governmental Funds</b>            |                                   |                              |
| General Fund                         | \$ -                              | \$ 50,000                    |
| Total Governmental Funds             | -                                 | 50,000                       |
| <b>Component Units</b>               |                                   |                              |
| Board for Depositories               | 50,000                            | -                            |
| Total Component Units                | 50,000                            | -                            |
| <b>Total Due From/To</b>             | <b>\$ 50,000</b>                  | <b>\$ 50,000</b>             |

Effective July 1, 2008, members who have at least one year of service in both the Public Employees' Retirement Fund (PERF) and the State Teachers' Retirement Fund (TRF) have the option of choosing from which of these funds they would like to retire. The fund that the employee chooses pays the retirement benefits to the employee. The employee's pension is computed and vested status determined on the basis of the combined creditable service in both funds. The annuity, if any, is computed on the basis of amounts credited to the employee in the annuity savings accounts in both funds.

The fund in which the employee was a member must pay to the fund responsible for paying the employee's benefits:

- (1) the amount credited to the employee in the employee's annuity savings account, minus any amount withdrawn by the employee; and
- (2) the proportionate actuarial cost of the employee's pension.

At the time the retirement benefit is calculated, PERF and TRF will set up a receivable (Due from component unit) or payable (Due to component unit) in their respective Statements of Fiduciary Net Assets based on which retirement fund will pay benefits to the member.

The following is a schedule of Due From/ Due Tos within Component Units, as of June 30, 2009:

| <b>Within Component Units</b>                              |                                |                              |
|------------------------------------------------------------|--------------------------------|------------------------------|
|                                                            | Due From<br>Component<br>Units | Due To<br>Component<br>Units |
| <b>Discretely Presented Component Units Pension Trust:</b> |                                |                              |
| Pension Trust                                              |                                |                              |
| Public Employees' Retirement Fund                          | \$ 1,633                       | \$ 618                       |
| State Teachers' Retirement Fund                            | 618                            | 1,633                        |
| Total Discretely Presented Component Units Pension Trust   | 2,251                          | 2,251                        |
| <b>Total Due From /To</b>                                  | <b>\$ 2,251</b>                | <b>\$ 2,251</b>              |

## Interfund Transfers

### *Major Governmental Funds*

Transfers constitute the movement of money from the fund that receives the resources to the fund that utilizes them. These numerous transfers generally result from legislation passed by the Indiana General Assembly that directs how the transfers are made. In the case of the General Fund, many appropriations are made in the General Fund and then are transferred during the year to the funds where these appropriations are used. Also in the case of the General Fund, various taxes and other revenues are collected in other funds and transferred to the General Fund. Following are the principal purposes of the State's interfund transfers:

**General Fund** – The General Fund had the following transfers in: \$848.2 million was transferred in to reimburse the General Fund for the Property Tax Replacement Fund's (PTRF's share of tuition support per legislation. Another \$9.6 million came from the PTRF as intercept payments for Marion County's juvenile detention charges. \$419.7 million was transferred in from the State Gaming Fund representing wagering tax from riverboats and slot machine wagering tax from horse racetracks. The General Fund's Motor Vehicle Excise Tax Replacement Account received \$236.2 million in transfers in from the Build Indiana Fund per IC 4-30-17-3.5. An additional \$44.0 million was transferred in from the Build Indiana Fund's lottery and gaming surplus account at fiscal year end. \$259.1 million was transferred in from individual, corporate, and sales taxes collected in the Department of Revenue's Collection Fund. The Public Welfare-Medicaid Assistance Fund received transfers in totaling \$229.2 million of which \$161.4 million represented reductions to Medicaid's state appropriations, \$34.4 million was for quality assessment fees collected throughout the fiscal year which can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and \$33.4 million was received by the State's psychiatric hospitals for the disproportionate share hospital program. The Mental Institutions Fund transferred in \$99.2 million to reimburse the General Fund for the federal share of revenue accruing to the state development centers under IC 12-15 based on the federal Medicaid assistance percentage from the hospital's fiscal year 2009 revenues. The General Fund received transfers in of \$54.3 million for financial institutions tax collected per IC 6-5.5. \$38.6 million was transferred in from the Tobacco Settlement Fund for various health and welfare purposes. Nearly \$27.0 million was received from the Abandoned Property Fund primarily to transfer the balance in excess of \$500,000 to the General Fund pursuant to state law. \$20.8 million

was transferred in from the Skills 2016 Training Fund to a Department of Workforce Development administration account. \$20.4 million was transferred in from the Welfare-Work Incentive Fund for state hospital and FSSA operations as well as for statewide cost allocation plan recoveries to the General Fund. The Fire and Building Services Fund transferred in \$13.4 million for Department of Homeland Security administration and operations. The Motor Vehicle Commission Fund transferred in \$13.1 million mostly for a surplus adjustment, but also for its share of indirect costs and state retiree health plan costs. \$12.8 was transferred into the General Fund for excess riverboat admissions tax collected under IC 4-33-12-7

The following were transfers out from the General Fund: \$1.8 billion was transferred to the Property Tax Replacement Fund (PTRF) of which \$279.8 million was from adjusted gross income taxes and the balance of \$1.5 billion was to terminate the PTRF effective January 1, 2009 pursuant to PL 146-2008, Section 852 (2007-2009 Biennial Budget Bill). The Public Welfare Medicaid Assistance Fund received \$1.6 billion in transfers for Medicaid current obligations for the purpose of enabling the Office of Medicaid Policy and Planning to carry out all services under IC 12-8-6. These services include, but may not be limited to the provision of care and treatment for individuals with mental illness, developmental disability, long term care needs, and family and child services needs. The State Tuition Reserve Fund received transfers in totaling \$941.7 million which is for tuition support distributions under IC 20-43 whenever the budget director determines the state general fund cash balances or state revenues available for deposit in the General Fund will be insufficient to cover or fully fund such distributions. \$178.0 million was transferred to the Welfare, Child Service Fund administered by the Department of Child Services for family and children services including the Indiana Child Welfare Information System. The State Student Assistance Commission received transfers in totaling \$187.1 million for the Frank O'Bannon Grant program which provides need-based tuition and regularly assessed fees support for Hoosier students to attend eligible postsecondary institutions. The Department of Child Services Local Office Administration fund received transfers in totaling \$101.2 million for administration of children's services in the counties including the addition of 400 new caseworker positions over the biennium ending June 30, 2009. The Mental Health Centers Fund received transfers in totaling \$100.7 million for services to adults who are seriously mentally ill in comprehensive community mental health centers and for administration by the Department of Mental Health. The County Welfare Administration Fund received



transfers in of \$84.5 million for local office family and children administration and for the Indiana Client Eligibility System (ICES). The General Fund transferred \$80.3 million to the Welfare – State and Federal Assistance Fund for child care services and temporary assistance to needy families (TANF) to enable the FSSA's Division of Family Resources to carry out all services as provided in IC 12-14 and for adoption assistance services provided through the Department of Child Services. \$79.6 million was transferred to the Returned Check Revolving Fund as a result of checks received by the Department of Revenue that were unable to be cashed. Nearly \$64.0 million was transferred from the General Fund to the Motor Vehicle Highway Fund primarily for State Police administration and pensions. \$20.6 million was transferred to the Indiana Horse Racing Commission and the Indiana State Fair Commission from riverboat admissions taxes per IC 4-33-12. The Enterprise Common Processing and Analytics System (ENCOMPASS) project received \$12.0 million for development of the State's new statewide financial management system.

**Motor Vehicle Highway Fund** – The Motor Vehicle Highway Fund received a transfer in of \$64.2 million from the International Registration Plan Fund and represents Indiana's share of carrier registration fees collected under this plan. \$55.5 million was transferred in from the General Fund for State Police administration, pensions, and benefits. \$30.2 million was transferred in from the International Fuel Tax Agreement (IFTA)/Motor Carrier Clearing Account. The Gasoline and Special Fuel Tax Fund transferred in \$30.0 million for distribution to counties, cities, and towns per IC 6-6-1.1-801.5(c). \$5.5 million was transferred in from the Motor Carrier Regulation Fund.

The Motor Vehicle Highway Fund transferred out \$270.6 million to the State Highway Department Fund. By legislation the remainder of the amount in the Motor Vehicle Highway Fund, after distributions to cities, towns, and counties, and after other legislative required transfers, goes to the State Highway Department Fund. \$30.4 million was transferred out to the Underground Petroleum Storage Tank (UPST) Excess Liability Fund. This represents fees, fines and penalties assessed to owners of underground storage tanks. \$13.7 million was motor carrier surtaxes transferred out to the Road and Street Primary Highway Fund. The State Police Retirement Pension Fund received \$13.4 million from the MVH Fund representing retirement contributions.

**Medicaid Assistance Fund** – The Medicaid Assistance Fund had a transfer in of \$1.6 billion from the General Fund to support the state Medicaid program administered through the Office of Medicaid

Policy and Planning and. \$88.5 million was transferred in from the Mental Health Center Fund for funds collected from providers of services to the seriously mentally ill for the local/State set-aside match. \$55.7 million was transferred in from the Medicaid Indigent Care Trust Fund for reimbursement of hospital care for the indigent supplement payments made from the Medicaid Assistance Fund. There was also a transfer in of \$32.5 million from the Tobacco Settlement Fund for the Children's Health Insurance Program (CHIP Assistance).

Transfers out included \$229.2 million to the General Fund of which \$161.4 million was a reduction or reversal of the State Medicaid program's state appropriations, \$34.4 million went to the State Budget Agency for qualifying assessment fees that can only be used for the state's share of Medicaid services under Title XIX of the Social Security Act, and \$33.4 million was paid to the state psychiatric hospitals for disproportionate share hospital (DSH) payments. The Mental Institutions Fund received \$60.1 million for Medicaid DSH providers. \$22.7 million was transferred out to the Medicaid Indigent Care Trust Fund for additional payments to health care facilities up to the Medicare Upper Payment Limit. \$9.0 million was transferred to the Medicaid Administration Fund to support administration of the program.

**Major Moves Construction Funds** – The Major Moves Construction Fund had a transfer out of \$399.0 million to the State Highway Department for construction and maintenance of the State's highways, roads, and bridges.

**State Highway Department Fund** – The State Highway Department had the following major transfers in: \$270.6 million was transferred in from the Motor Vehicle Highway Fund for use by the Indiana Department of Transportation for maintenance services, access road construction, and the research and highway extension program. This is a legislative transfer as described above under the Motor Vehicle Highway Fund. \$135.5 million was transferred in from the Road and Street Primary Highway Fund's collection of motor fuel taxes, motor carrier surtaxes, and vehicle registration fees. \$399.0 million was transferred in from the Major Moves Construction Fund as described above for construction and maintenance of the State's highways, roads, and bridges. \$20.0 million was transferred in from the Gasoline and Special Fuel Tax Fund for highway maintenance services. The State Highway Department Fund also received transfers in totaling \$13.3 million from the Oversize/Overweight Holding Account for special permits issued to allow vehicles to travel on Indiana highways.

The State Highway Department had the following major transfers out: \$7.8 million was transferred to

the General Fund to provide funding for State Highway Department employees' portion of the Retiree Medical Benefits Plan that provides a Healthcare reimbursement arrangement for eligible state employee retirees. \$5.9 million was transferred to the Highway Construction Improvement Fund for use in the leasing of the state's highway infrastructure assets. \$2.2 million was transferred to the Indiana Department of Environmental Management's Underground Petroleum Storage Tank Excess Liability Trust Fund.

**Property Tax Replacement Fund** – The Property Tax Replacement Fund (PTRF) received the following transfers in: \$1.8 billion from the General Fund of which \$1.5 billion was transferred pursuant to PL 146-2008, Section 852 effective January 1, 2009 and \$279.8 million was received in individual income taxes

from the General Fund. \$188.6 million in riverboat wagering taxes was received from the State Gaming Fund.

The PTRF had the following transfers out: \$848.2 million to the General Fund for the PTRC's share of tuition support per PL 146-2008. \$121.4 million of riverboat wagering taxes to the Lottery and Gaming Surplus account (Build Indiana Fund) per IC 4-33-13-5. \$9.6 million to the General Fund for payment of Marion County's juvenile incarceration charges.

**ARRA of 2009 Fund** – The American Recovery and Reinvestment Act of 2009 Fund did not have any significant transfers in and out.

### **Proprietary Funds**

#### **Non-Major Enterprise Funds**

**The Inns and Concessions Fund** – This fund had transfers in of \$2.1 million, representing cash contributions from the Department of Natural Resources (DNR) in the General Fund for capital projects at the DNR Inns.

#### **Internal Service Funds**

\$14.1 million was transferred from the General Fund to the Institutional Industries Fund, an Internal Service Fund. This transfer represents a return of funds which were previously transferred to the General Fund per legislation at the end of the prior fiscal year. \$10.1 million was transferred at year end to the General

Fund from the Institutional Industries Fund. This was transferred at the end of the current fiscal year per legislation.

\$12.6 million was transferred from the State Employee Health Insurance Fund, an Internal Service Fund. Of the \$12.6 million, \$8.4 million was rebated to state agencies for premiums due to excess reserves in the Health Insurance Fund, and the remaining \$4.2 million was transferred to the general fund to repay monies given to the Fund in 1999.

A summary of interfund transfers for the year ended June 30, 2009 is as follows:

|                               | Operating transfers<br>in | Operating transfers<br>(out) | Net transfers  |
|-------------------------------|---------------------------|------------------------------|----------------|
| <b>Governmental Funds</b>     |                           |                              |                |
| General Fund                  | \$ 2,550,671              | \$ (5,672,367)               | \$ (3,121,696) |
| Motor Vehicle Highway Fund    | 202,329                   | (327,207)                    | (124,878)      |
| Medicaid Assistance           | 1,820,551                 | (329,435)                    | 1,491,116      |
| Major Moves Construction Fund | -                         | (399,000)                    | (399,000)      |
| State Highway Department      | 839,846                   | (19,473)                     | 820,373        |
| Property Tax Replacement Fund | 2,019,620                 | (999,486)                    | 1,020,134      |
| ARRA of 2009                  | -                         | (6)                          | (6)            |
| Nonmajor Governmental Fund    | 3,143,376                 | (2,822,931)                  | 320,445        |
| <b>Proprietary Funds</b>      |                           |                              |                |
| Inns and Concessions          | 2,113                     | -                            | 2,113          |
| Internal Service Funds        | 14,129                    | (22,730)                     | (8,601)        |
| <b>Total</b>                  | <b>\$ 10,592,635</b>      | <b>\$ (10,592,635)</b>       | <b>\$ -</b>    |

**C. Taxes Receivable/Tax Refunds Payable**

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

|                                           | <b>Governmental Activities</b> |                              |                               | <b>Total Primary Government</b> |
|-------------------------------------------|--------------------------------|------------------------------|-------------------------------|---------------------------------|
|                                           | <b>General Fund</b>            | <b>Special Revenue Funds</b> | <b>Capital Projects Funds</b> |                                 |
| Income taxes                              | \$ 1,053,464                   | \$ 15,042                    | \$ -                          | \$ 1,068,506                    |
| Sales taxes                               | 868,754                        | 17,614                       | -                             | 886,368                         |
| Fuel taxes                                | -                              | 111,402                      | -                             | 111,402                         |
| Gaming taxes                              | 1,272                          | 12,626                       | -                             | 13,898                          |
| Inheritance taxes                         | 37,293                         | -                            | -                             | 37,293                          |
| Alcohol and tobacco taxes                 | 33,249                         | 18,501                       | 1,830                         | 53,580                          |
| Insurance taxes                           | 3,759                          | 25                           | -                             | 3,784                           |
| Financial institutions taxes              | -                              | 30,242                       | -                             | 30,242                          |
| Other taxes                               | 24,464                         | 36,415                       | -                             | 60,879                          |
| Total taxes receivable                    | 2,022,255                      | 241,867                      | 1,830                         | 2,265,952                       |
| Less allowance for uncollectible accounts | (374,567)                      | (32,852)                     | (4)                           | (407,423)                       |
| Net taxes receivable                      | <u>\$ 1,647,688</u>            | <u>\$ 209,015</u>            | <u>\$ 1,826</u>               | <u>\$ 1,858,529</u>             |
| Tax refunds payable                       | <u>\$ 78,885</u>               | <u>\$ 4,154</u>              | <u>\$ -</u>                   | <u>\$ 83,039</u>                |

**D. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2009, was as follows:

**Primary Government – Governmental Activities**

|                                             | <b>Balance, July 1,<br/>As restated</b> | <b>Increases</b>    | <b>Decreases</b>    | <b>Balance,<br/>June 30</b> |
|---------------------------------------------|-----------------------------------------|---------------------|---------------------|-----------------------------|
| <b>Governmental Activities:</b>             |                                         |                     |                     |                             |
| Capital assets, not being depreciated:      |                                         |                     |                     |                             |
| Land                                        | \$ 1,318,325                            | \$ 79,027           | \$ (693)            | \$ 1,396,659                |
| Infrastructure                              | 7,748,691                               | 170,599             | (30,796)            | 7,888,494                   |
| Construction in progress                    | 749,097                                 | 783,015             | (250,577)           | 1,281,535                   |
| Total capital assets, not being depreciated | <u>9,816,113</u>                        | <u>1,032,641</u>    | <u>(282,066)</u>    | <u>10,566,688</u>           |
| Capital assets, being depreciated:          |                                         |                     |                     |                             |
| Buildings and improvements                  | 1,460,836                               | 37,923              | (25,155)            | 1,473,604                   |
| Furniture, machinery, and equipment         | 402,211                                 | 25,412              | (27,547)            | 400,076                     |
| Infrastructure                              | 14,235                                  | -                   | -                   | 14,235                      |
| Total capital assets, being depreciated     | <u>1,877,282</u>                        | <u>63,335</u>       | <u>(52,702)</u>     | <u>1,887,915</u>            |
| Less accumulated depreciation for:          |                                         |                     |                     |                             |
| Buildings and improvements                  | (735,988)                               | (34,878)            | 16,539              | (754,327)                   |
| Furniture, machinery, and equipment         | (241,402)                               | (32,145)            | 21,414              | (252,133)                   |
| Infrastructure                              | (13,121)                                | (180)               | -                   | (13,301)                    |
| Total accumulated depreciation              | <u>(990,511)</u>                        | <u>(67,203)</u>     | <u>37,953</u>       | <u>(1,019,761)</u>          |
| Total capital assets being depreciated, net | <u>886,771</u>                          | <u>(3,868)</u>      | <u>(14,749)</u>     | <u>868,154</u>              |
| Governmental activities capital assets, net | <u>\$ 10,702,884</u>                    | <u>\$ 1,028,773</u> | <u>\$ (296,815)</u> | <u>\$ 11,434,842</u>        |

**Primary Government – Business-Type Activities**

|                                              | <b>Balance<br/>July 1</b> | <b>Increases</b> | <b>Decreases</b>  | <b>Balance<br/>June 30</b> |
|----------------------------------------------|---------------------------|------------------|-------------------|----------------------------|
| <b>Business-Type Activities:</b>             |                           |                  |                   |                            |
| Capital assets, not being depreciated:       |                           |                  |                   |                            |
| Construction in progress                     | 3,056                     | -                | (3,056)           | -                          |
| Total capital assets, not being depreciated  | <u>3,056</u>              | <u>-</u>         | <u>(3,056)</u>    | <u>-</u>                   |
| Capital assets, being depreciated:           |                           |                  |                   |                            |
| Buildings and improvements                   | \$ 21,991                 | \$ 4,543         | \$ -              | \$ 26,534                  |
| Furniture, machinery, and equipment          | 811                       | -                | (533)             | 278                        |
| Total capital assets, being depreciated      | <u>22,802</u>             | <u>4,543</u>     | <u>(533)</u>      | <u>26,812</u>              |
| Less accumulated depreciation for:           |                           |                  |                   |                            |
| Buildings and improvements                   | (11,429)                  | (613)            | -                 | (12,042)                   |
| Furniture, machinery, and equipment          | (756)                     | (22)             | 533               | (245)                      |
| Total accumulated depreciation               | <u>(12,185)</u>           | <u>(635)</u>     | <u>533</u>        | <u>(12,287)</u>            |
| Total capital assets being depreciated, net  | <u>10,617</u>             | <u>3,908</u>     | <u>-</u>          | <u>14,525</u>              |
| Business-type activities capital assets, net | <u>\$ 13,673</u>          | <u>\$ 3,908</u>  | <u>\$ (3,056)</u> | <u>\$ 14,525</u>           |

Depreciation expense was charged to functions/programs of the primary government as follows:

|                                                       |                  |
|-------------------------------------------------------|------------------|
| <b>Governmental activities:</b>                       |                  |
| General government                                    | \$ 4,766         |
| Public safety                                         | 26,124           |
| Health                                                | 1,748            |
| Welfare                                               | 6,988            |
| Conservation, culture and development                 | 8,466            |
| Education                                             | 1,246            |
| Transportation                                        | <u>17,865</u>    |
| Total depreciation expense - governmental activities  | <u>\$ 67,203</u> |
| <b>Business-type activities:</b>                      |                  |
| Inns and Concessions                                  | <u>\$ 635</u>    |
| Total depreciation expense - business-type activities | <u>\$ 635</u>    |

**E. Leases**

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 2009 and the assets acquired through capital leases are as follows:

| <b>Future minimum lease payments</b>                                |                         |                                                       |
|---------------------------------------------------------------------|-------------------------|-------------------------------------------------------|
| <b>Year ending June 30,</b>                                         | <b>Operating leases</b> | <b>Capital leases<br/>Governmental<br/>Activities</b> |
| 2010                                                                | \$ 19,064               | \$ 105,258                                            |
| 2011                                                                | 14,604                  | 105,041                                               |
| 2012                                                                | 9,004                   | 103,384                                               |
| 2013                                                                | 6,423                   | 101,238                                               |
| 2014                                                                | 4,174                   | 101,391                                               |
| 2015-2019                                                           | 2,149                   | 504,733                                               |
| 2020-2024                                                           | 675                     | 501,819                                               |
| 2025-2029                                                           | -                       | 501,189                                               |
| 2030-2034                                                           | -                       | 3,630                                                 |
| 2035-2039                                                           | -                       | -                                                     |
| <b>Total minimum lease payments<br/>(excluding executory costs)</b> | <b>\$ 56,093</b>        | <b>2,027,683</b>                                      |
| Less:                                                               |                         |                                                       |
| Remaining premium(discount)                                         |                         | (26,521)                                              |
| Amount representing interest                                        |                         | (715,055)                                             |
| Present value of future minimum lease payments                      |                         | <b>\$ 1,286,107</b>                                   |
| <b>Assets acquired through capital lease</b>                        |                         |                                                       |
| Land                                                                |                         | \$ -                                                  |
| Infrastructure                                                      |                         | 37,376                                                |
| Building                                                            |                         | 2,613                                                 |
| Machinery and equipment                                             |                         | 1,271,270                                             |
| less accumulated depreciation                                       |                         | (26,410)                                              |
|                                                                     |                         | <b>\$ 1,284,849</b>                                   |

**Operating Leases**

The State leases building and office facilities and other equipment under non-cancelable operating leases. Total payments for such leases with aggregate payments of \$20,000 or more were \$27.2 million for the year ended June 30, 2009. A table of future minimum lease payments (excluding executory costs) is presented on the previous page.

**Capital Leases Liabilities**

The State has entered into various lease agreements with aggregate payments of \$20,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the government-wide statements.

## F. Long-Term Obligations

Changes in long-term obligations for the primary government for the year ended June 30, 2009 were as follows:

| Changes in Long-Term Obligations | Balance, July 1,<br>as Restated | Increases         | Decreases           | Balance,<br>June 30 | Amounts Due<br>Within One<br>Year | Amounts Due<br>Thereafter |
|----------------------------------|---------------------------------|-------------------|---------------------|---------------------|-----------------------------------|---------------------------|
| <b>Governmental activities:</b>  |                                 |                   |                     |                     |                                   |                           |
| Compensated absences             | \$ 148,385                      | \$ 2,120          | \$ (3,233)          | \$ 147,272          | \$ 80,186                         | \$ 67,086                 |
| Due to component unit            | 84,561                          | -                 | (34,561)            | 50,000              | -                                 | 50,000                    |
| Net pension obligation           | 964,367                         | 1,639             | (8,507)             | 957,499             | -                                 | 957,499                   |
| Other postemployment benefits    | 35,745                          | 36,086            | -                   | 71,831              | -                                 | 71,831                    |
| Pollution remediation            | -                               | 66,677            | -                   | 66,677              | 14,609                            | 52,068                    |
| Intergovernmental payable        | 212,957                         | -                 | (37,922)            | 175,035             | 125,035                           | 50,000                    |
| Capital leases                   | 1,322,176                       | 5,658             | (41,727)            | 1,286,107           | 43,209                            | 1,242,898                 |
|                                  | <u>\$ 2,768,191</u>             | <u>\$ 112,180</u> | <u>\$ (125,950)</u> | <u>\$ 2,754,421</u> | <u>\$ 263,039</u>                 | <u>\$ 2,491,382</u>       |
| <b>Business-type activities:</b> |                                 |                   |                     |                     |                                   |                           |
| Compensated absences             | \$ 423                          | \$ 271            | \$ (186)            | \$ 508              | \$ 198                            | \$ 310                    |
| Claims liability                 | 49,711                          | 243               | (4,250)             | 45,704              | 3,221                             | 42,483                    |
|                                  | <u>\$ 50,134</u>                | <u>\$ 514</u>     | <u>\$ (4,436)</u>   | <u>\$ 46,212</u>    | <u>\$ 3,419</u>                   | <u>\$ 42,793</u>          |

Long term obligations of governmental activities include capital lease obligations of governmental funds as presented in Note IV(E), net pension obligations for the State Police Retirement Fund and the Prosecuting Attorney's Retirement Fund as presented in Note V(E), other postemployment benefits, pollution remediation, amounts due to component units, amounts due the federal government and compensated absence obligations. The General Fund typically has been used to liquidate any other long-term liabilities.

Long-term obligations of the business-type activities consist of claims liability of the Indiana Residual Malpractice Insurance Authority and compensated absences of the Inns and Concessions Fund.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

## G. Prior Period Adjustments and Reclassifications

For the fiscal year ended June 30, 2009, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana. These prior period adjustments and restatements are reflected in the beginning net assets in the government-wide statement of activities.

### Prior Period Adjustments

In the fund statements for the General fund and the government-wide statements, there is a decrease of \$55.6 million in fund balance/net assets due to the creation of the new State Employee Retiree Health Benefit Trust Fund.

In the fund statements for the General fund, Special Revenue funds, and the government-wide statements, there is a decrease of \$187.1 million in fund balance/net assets for the removal of the IEDC from the reporting entity.

For the government-wide statements, there is a decrease of \$1.1 billion in net assets of which the majority is for recording the net pension obligation of the Teachers' Retirement Fund's pre-1996 retirement account.

For the government-wide statements, there is a decrease of \$48.7 million in net assets for the full accrual Medicaid payables and receivables not included in 2008.

For the government-wide statements, there is a decrease of \$18.5 million in net assets to eliminate duplicate taxes receivable in the Department of Revenue's July 2008 collections.

For the government-wide statements, there is an increase of \$25.1 million in net assets for Department of Administration (DoA) work in process. This was the

result of not capitalizing projects by June 30, 2008 that had been initiated prior to this date per DoA's work in process records.

For the government-wide statements, there was an increase of \$16.5 million in net assets for capital assets. This was the result of not capitalizing capital assets by June 30, 2008 that were acquired prior to this date and for corrections to acquisition cost by state agencies.

For the government-wide statements, there is a decrease of \$582.2 thousand in net assets for an Indiana Office of Technology lease that started in 2008 that it did not previously classify as a lease.

The net assets for business type activities increased by \$36.0 million as accounts receivable for the Unemployment Compensation Fund was understated by this amount for fiscal year 2008.

For the Internal Service funds and the government-wide statements, there is an increase of \$1.4 million in net assets for the Administrative Services Revolving fund as a result of the Motor Pool's 2008 ending balance for gasoline inventory being improperly reported and understated by this total.

For the fiduciary funds, beginning net assets increased by \$55.6 million due to the creation of the

new Retiree Health Benefit Trust Fund.

For the discrete component units, there was an increase of \$140.5 million due to adding three new component units. These three new discrete component units and their July 1, 2008 balances are: 1) Ports of Indiana, \$91.7 million; 2) State Fair Commission, \$39.9 million; and 3) Indiana Political Subdivision Risk Management Commission, \$8.9 million.

There was a decrease of \$38.4 million in beginning net assets for the correction of errors by Indiana University and Ivy Tech Community College.

Indiana University's beginning net assets decreased by \$46.5 million for a correction of an error. Total liabilities were increased by this amount to recognize interest expense not previously recorded. It was determined that capital appreciation bonds' unpaid interest on the outstanding debt should be accrued over the life of the bonds based on the total accreted value matured at year end.

Ivy Tech Community College's beginning net assets increased by \$8.1 million for the subsequent recognition land and buildings reduced by associated depreciation expense.

The following schedule reconciles June 30, 2008 net assets as previously reported, to beginning net assets, as restated:

|                                                                      | Governmental<br>Activities | Business-<br>Type<br>Activities | Fiduciary<br>Funds | Discretely<br>Presented<br>Component<br>Units (Non<br>Fiduciary) |
|----------------------------------------------------------------------|----------------------------|---------------------------------|--------------------|------------------------------------------------------------------|
| June 30, 2008, fund balance/retained earnings/net assets as reported | \$ 18,946,918              | \$ 289,255                      | \$ 24,890,729      | \$ 8,570,124                                                     |
| Correction of errors                                                 | (1,089,676)                | 36,041                          | -                  | (38,392)                                                         |
| Reclassifications of funds                                           | (242,718)                  | -                               | 55,625             | 140,500                                                          |
| Balance July 1, 2008 as restated                                     | \$ 17,614,524              | \$ 325,296                      | \$ 24,946,354      | \$ 8,672,232                                                     |

## V. OTHER INFORMATION

### A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death

benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State purchases commercial insurance related to certain employee health benefits

and also some insurance coverage exists for DNR Inns properties. The State also purchases immaterial amounts of commercial insurance related to errors, omissions, and theft by employees. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the State employees' disability, certain State employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in three individual Internal Service Funds.

The State employees' disability program is financed partially by State employees through payroll withholdings and by the funds from which employees are paid. The employees' health benefits and the State Police traditional health plan are funded by the

employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.)

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The surplus retained earnings in these funds are reserved for future catastrophic losses.

|                                         | State Police<br>Health Insurance<br>Fund | State Employees'<br>Health Insurance<br>Fund | State Employee<br>Disability Fund | Total            |
|-----------------------------------------|------------------------------------------|----------------------------------------------|-----------------------------------|------------------|
| <b><u>2009</u></b>                      |                                          |                                              |                                   |                  |
| Unpaid Claims, July 1                   | \$ 2,883                                 | \$ 30,138                                    | \$ 4,281                          | \$ 37,302        |
| Incurred Claims and Changes in Estimate | 25,877                                   | 293,397                                      | 23,696                            | 342,970          |
| Claims Paid                             | (25,723)                                 | (291,414)                                    | (23,840)                          | (340,977)        |
| Unpaid Claims, June 30                  | <u>\$ 3,037</u>                          | <u>\$ 32,121</u>                             | <u>\$ 4,137</u>                   | <u>\$ 39,295</u> |
| <b><u>2008</u></b>                      |                                          |                                              |                                   |                  |
| Unpaid Claims, July 1                   | \$ 2,050                                 | \$ 18,209                                    | \$ 3,631                          | \$ 23,890        |
| Incurred Claims and Changes in Estimate | 25,044                                   | 223,677                                      | 23,816                            | 272,537          |
| Claims Paid                             | (24,211)                                 | (211,748)                                    | (23,166)                          | (259,125)        |
| Unpaid Claims, June 30                  | <u>\$ 2,883</u>                          | <u>\$ 30,138</u>                             | <u>\$ 4,281</u>                   | <u>\$ 37,302</u> |

## B. Contingencies and Commitments

### *Litigation*

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any.

With respect to tort claims only, the State's liability is limited to: (A) three hundred thousand dollars (\$300,000) for a cause of action that accrues before January 1, 2006; (B) five hundred thousand dollars (\$500,000) for a cause of action that accrues on or after January 1, 2006, and before January 1, 2008; or (C) seven hundred thousand dollars (\$700,000) for a cause of action that accrues on or after January 1, 2008, for injury to or death of one person in any one occurrence and \$5 million for injury to or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a total

payment for liabilities and litigation expenses of \$8 million to be made from the Tort Claim Fund during the next fiscal year. During the fiscal year ending June 30, 2009, the State paid \$5.1 million for settlements, judgments, claims and litigation expenses from the Tort Claim Fund.

The following is a summary of certain significant litigation and claims currently pending against the State involving amounts exceeding \$5 million individually or in the aggregate. This summary is not exhaustive, either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

The Indiana Attorney General's office is currently handling the following cases that could result in significant liabilities to the State:

In 1968, in United States of America, et al v. Board of School Commissioners, et al, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed



in the United States District Court for the Southern District of Indiana. Since 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The District Court entered its final judgment in 1981 holding the State responsible for most of the costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998 the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court for some school corporations and a 13-year phase out of the desegregation plan for the school corporations that had already began the desegregation plan. State expenditures will be gradually reduced as the plan is phased out.

In 1993 Plaintiffs filed a breach of employment contract lawsuit in a state trial court alleging that the State has failed to pay certain similarly classified state employees at an equal rate of pay from 1973 to 1993. The Court certified Plaintiffs' class and class notification was completed. Plaintiffs seek to recover damages as well as attorney fees and costs. Mediation was unsuccessful. A claims-made basis class action settlement was preliminarily approved in August 2008 with an \$8.5 million settlement cap, inclusive of fees and costs. If the State's purported total liability for claims, attorney fees and expenses exceed \$8.5 million, the State may exercise its option to terminate the Settlement Agreement and proceed to trial. In October 2008 the Court conducted a fairness hearing for the purpose of considering any timely written objections that may have been filed and determining, pursuant to Ind. Trial Rule 23(E), whether the Court should approve the agreed settlement as fair, reasonable, and adequate. The Court approved the settlement subject to the State's option to terminate the settlement agreement. In November 2008 the State filed a Notice Regarding Settlement Agreement in which they gave notice that the conditions for terminating the settlement agreement have been met, and the State elected to exercise its option to terminate the settlement pursuant to the settlement agreement. Trial was reset for March 2009. The Court ordered the parties to return for a second mediation session in February 2009. Mediation was unsuccessful. A four-day bench trial was conducted in March. The Court took the matter under advisement and gave the parties until March 31 to submit proposed findings of fact and conclusions of law. Findings of fact and conclusions of law were submitted. Settlement discussions continued but the parties were unable to reach an agreement. In July the Court entered judgment against the State in the total amount of \$43 million (\$21 million awarded to merit, overtime eligible employees; \$17 million awarded to non-merit, overtime eligible employees; \$3 million awarded to merit, overtime exempt employees; \$2 million

awarded to non-merit, overtime exempt employees). The State filed a Notice of Appeal and Motion to Stay Judgment Pending Appeal. In August the trial court granted the Motion to Stay Judgment Pending Appeal and the State's Case Summary and Notices of Appearance were filed in the Court of Appeals. In September Plaintiffs filed Notices of Appearance and a Motion for Pre-appeal Conference and Appellate Alternative Dispute Resolution. In October the State filed a response and the Court of Appeals denied Appellees' motion. The case is on appeal and the Court Reporter's deadline to file transcript is on or before January 18, 2010.

In May 2000 Plaintiffs along the Fawn River in northeastern Indiana, brought action against the State alleging violations of the Clean Water Act, unconstitutional takings of property and federal civil rights violations. Plaintiffs are seeking in excess of \$38 million in damages, costs and attorney fees. The federal trial court granted summary judgment in favor of the State and Plaintiffs appealed. A federal appeals court remanded the case to the trial court on one issue under the federal Clean Water Act. The parties have completed discovery on that issue and prepared briefs in support of new motions for summary judgment for consideration of the trial court. An order denying the State's motion for summary judgment and entering summary judgment in favor of the Plaintiffs (on liability) was issued. The parties have to file a joint status report, following a teleconference with the Court, as to how this case will proceed. An independent surveyor is assessing the Fawn River, which may take a year to conduct. In the interim, Plaintiffs filed a Motion for Attorney Fees, which was denied. This matter has been reassigned to outside counsel. The Plaintiffs renewed their request for attorney fees. In a July 2008 order, the District Court ruled in favor of the Plaintiffs and awarded nearly \$1 million interim fees and costs. The State filed a Motion to Alter or Amend the Order, which motion the Court denied. Plaintiffs filed a Motion for Order to Pay Judgment, which the Court granted. The State paid the interim award of \$1 million in attorney fees and costs directly to Plaintiffs' counsel and other parties. The parties are waiting on a final report from the technical consultant on options and costs for removal of sediment from Fawn River. The parties have received a draft report from the technical consultant; however, the parties are waiting on a cost estimate to be used during negotiations. The parties intend to meet for a settlement conference in December to attempt to resolve this matter. If a settlement cannot be reached the parties will prepare for a final hearing.

In December 2000 Plaintiffs filed an action against the Indiana Department of Environmental Management (IDEM), including the Office of Environmental Adjudication (OEA), claiming that denial of a permit for

a landfill use was an unconstitutional taking of property and a denial of due process under the United States Constitution, as well as a violation of the Indiana Constitution. Plaintiffs are seeking in excess of \$30 million in damages plus costs and attorney fees. Federal claims against OEA were dismissed by the federal court. Remaining federal claims are expected to be taken up after the state court acts. In 2005 Plaintiffs negotiated a settlement that would grant them the right to pursue a landfill permit application. In 2008, toward the end of the permit process, the enactment of SB 43 required Plaintiffs to submit a new application with the approval of the County Executive. In June 2008 IDEM sent a letter to Plaintiffs asking for the re-submission of the permit with evidence of approval by the County Executive. In August 2008 Plaintiffs filed a Motion for Judgment Finding Total Breach of Settlement Agreement and a Motion For Civil Contempt, Attorney Fees and Declaratory Judgment. A hearing was held on Plaintiffs' motions in October. In November the Court held that IDEM had breached the 2005 Settlement Agreement and set a two day trial for damages. A Motion to Certify for Appeal was filed in December. In January 2009 the Court certified the Order to Facilitate Interlocutory Appeal and vacated the trial date. The State filed a Motion for Interlocutory Appeal in February. In August the State was notified that the court reporter filed the transcript with the Court on August 7 and the Appellant's Brief on behalf of the State was filed October 7.

#### *Other Loss Contingencies*

The Auditor of State's Office surveyed state agencies to identify other loss contingencies. State agencies were requested to provide information on each other loss contingency to include a brief description, amount or range of loss, if known, the likelihood (probable, reasonably possible, or remote) of loss and the fund from which payment would be made. State agencies were instructed to provide this information on their other loss contingencies for amounts exceeding \$5 million individually or in the aggregate. Information for these other loss contingencies is as follows:

Family and Social Services Administration (FSSA): \$45 million has been accrued as an expense and payable in the government-wide financial statements to resolve U.S. Office of Inspector General (USOIG) audits requesting repayments for Indiana's Medicaid Assistance Program. FSSA settled USOIG audit findings by reducing Medicaid draws as follows: 1) \$21 million on September 30, 2009 for a Community Mental Health Centers audit; 2) \$17 million on September 30, 2009 for the audit of Institutions for Mental Disease's DSH and Medicaid payments; and 3) \$7 million planned to be settled on December 30, 2009 for a Medicaid Rehabilitation Option (MRO)

payments finding.

#### **C. Other Revenue**

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

#### **D. Economic Stabilization Fund**

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund").

This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature.

In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. All earnings from the investments of the Rainy Day Fund remain in the Rainy Day Fund. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund to the State General Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 2009 was \$365.2 million. Total outstanding loans were \$22.1 million, resulting in total assets of \$387.3 million.

#### **E. Employee Retirement Systems and Plans**

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements. They are reported and administered as described in Note I(A).

#### Summary of Significant Accounting Policies (Primary government and discretely presented component units)

The accrual basis is used for financial statement reporting purposes. Receivables are not maintained on the accounting records, but are calculated or estimated for financial statement reporting purposes.

Throughout the year, the investments are maintained on the accounting records at the net asset value per the custodian banks. The custodian banks maintain records of the detailed holdings and accounts that comprise the net asset value. At fiscal year end, the accounting records and financial statements recognize investment receivables and payables using investment unit trust accounting. Investments of defined benefit plans are reported at fair value. Short-term investments are reported at market value when available, or at cost, which approximates fair value.

Securities traded on a national or international exchange are valued at the official closing price at current exchange rates. Collective trust funds' fair values are determined by the fair value per share of the pool's underlying portfolio as provided by the trustee. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Values for limited partnership interests are those estimates most recently provided by the general manager, plus or minus cash flows transacted since the valuation date. Investments that do not have an established market are reported at estimated fair value.

*The State sponsors the following defined benefit single-employer plans:*

State Police Retirement Fund (Presented as a pension fund)

Plan Description The State Police Retirement Fund (SPRF) is a defined benefit, single-employer PERS, and is administered by the Treasurer of the State of Indiana as Trustee under a Pension Trust Agreement with the Indiana Department of State Police. Indiana Code 10-12-2-2 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust. It also authorizes the Department to make annual contributions as necessary to prevent any deterioration in the actuarial status of the trust.

The State Police Retirement Fund does not issue a stand-alone financial report. The SPRF's financial statements are included in the State of Indiana's CAFR as part of the statements presented with fiduciary funds.

Funding Policy The pre-1987 plan required employee contributions of five percent of the salary of a sixth-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, State police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989.

Participants under the 1987 plan contribute six percent of their monthly salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal cost actuarial method. Normal cost is funded on a current basis. Under the terms of the Trust Agreement, in the event the Department fails to make the minimum contribution for five successive years, the Trust shall terminate and the fund shall be liquidated. The unfunded actuarial accrued liability is being funded over a thirty-year closed period which commenced July 1, 2007. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level dollar of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Funded Status and Funding Progress As of June 30, 2009, the most recent actuarial valuation date, the plan was 79 percent funded. The actuarial accrued liability for benefits was \$453.7 million, and the actuarial value of assets was \$356.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$97.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$68.3 million, and the ratio of the UAAL to the covered payroll was 143 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (Presented as part of PERF – a discretely presented component unit)

Plan Description The State Excise Police, Gaming Agent, Gaming Control Officer and Conservation Enforcement Officers' Retirement Plan (ECRP) is a single employer defined benefit plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for certain employees of the Indiana Department of Natural Resources, the Indiana Alcohol and Tobacco Commission, and any State excise police officer, Indiana state conservation enforcement officer, gaming agent or any gaming control officer who is engaged exclusively in the performance of law enforcement duties.

The Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan provides

retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

**Funding Policy** Members are required by statute to contribute 4 percent of the member's annual salary to the Plan. The State of Indiana, as employer, is required by statute to contribute the remaining amount necessary to actuarially fund the benefits. The funding policy for employer contributions of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability for thirty years, and prevent the State's unfunded accrued liability from increasing.

**Funded Status and Funding Progress** As of July 1, 2008, the most recent actuarial valuation date, the plan was 85 percent funded. The actuarial accrued liability for benefits was \$77.2 million, and the actuarial value of assets was \$65.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$21.3 million, and the ratio of the UAAL to the covered payroll was -55 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Prosecuting Attorneys' Retirement Fund (Presented as part of PERF – a discretely presented component unit)**

**Plan Description** The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability, and survivor benefits for individuals who serve as a prosecuting attorney, chief deputy prosecuting attorney, or certain other deputy prosecuting attorneys paid by the state of Indiana.

These individuals' salaries are paid from the General Fund of the State of Indiana. Indiana Code 33-39-7 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

**Funding Policy** Contributions made by or on the behalf of members are not actuarially determined but are set by statute at six percent (6%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

**Funded Status and Funding Progress** As of July 1, 2008, the most recent actuarial valuation date, the plan was 69 percent funded. The actuarial accrued liability for benefits was \$38.1 million, and the actuarial value of assets was \$26.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.6 million, and the ratio of the UAAL to the covered payroll was -57 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Legislators' Retirement System – Legislators' Defined Benefit Plan (Presented as part of PERF – a discretely presented component unit)**

**Plan Description** The Legislators' Defined Benefit Plan (IC 2-3.5-4), a single-employer defined benefit plan, applies to each member of the Indiana General Assembly who was serving on April 30, 1989 and filed an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of the actuary, is to be appropriated from the State's General Fund.

Funded Status and Funding Progress As of July 1, 2008, the most recent actuarial valuation date, the plan was 102 percent funded. The actuarial accrued liability for benefits was \$5.0 million, and the actuarial value of assets was \$5.1 million, resulting in a funding excess of \$0.1 million. The benefit formula is determined based on service rather than compensation. The funding excess per active participant was \$2,378 per active participant as of the most recent actuarial valuation.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Judges' Retirement System (Presented as part of PERF – a discretely presented component unit)

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer public employee retirement system administered by the Board of Trustees of the Public Employees' Retirement Fund, and is governed by IC 33-38-6, 33-38-7, and IC 33-38-8. The Judges' Retirement System provides retirement, disability, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; or county courts including Circuit, Superior, Criminal, Probate, Juvenile, and Municipal Courts. The system consists of two plans: the 1977 system and the 1985 system. IC 33-38-7 applies to judges who began service before September 1, 1985. IC 33-38-8 applies to judges beginning service after August 31, 1985. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

Funding Policy Member contributions are established by statute at six percent of total statutory compensation paid by the state of Indiana, deducted from the member's salary and remitted by the Auditor of State. However, no contribution is required and no

such amounts shall be paid by the member for more than 22 years of service.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State's General Fund. Indiana Code 33-38-6-17 provides that this appropriation only include sufficient funds to cover the aggregate liability of the fund for benefits to the end of the biennium, on an actuarially funded basis. The statutes also provide for remittance of docket fees and court fees. These are considered employer contributions.

Funded Status and Funding Progress As of July 1, 2008, the most recent actuarial valuation date, the plan was 69 percent funded. The actuarial accrued liability for benefits was \$338.7 million, and the actuarial value of assets was \$234.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$103.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$33.7 million, and the ratio of the UAAL to the covered payroll was -308 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*The State sponsors the following defined benefit agent multiple-employer plan:*

Public Employees' Retirement Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan for units of state and local governments administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf). At June 30, 2009, the number of participating political subdivisions was 1,200.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required contributions are determined by

the PERF Board of Trustees based on actuarial investigation and valuation. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost) and the amortization of unfunded liabilities.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of compensation. These contributions are credited to the member's annuity savings account that is a separate benefit from the defined pension benefit. The State is required to contribute for State employees at an actuarially determined rate; the current rate is 6.5% of covered payroll.

Funded Status and Funding Progress Funded status and funding progress information is being disclosed for the State of Indiana employee portion of the plan.

The funded status and funding progress information presented is for non-retired assets.

State of Indiana Employees: As of July 1, 2008, the most recent actuarial valuation date, the state employees portion of the plan was 98 percent funded.

The actuarial accrued liability for benefits was \$2.51 billion, and the actuarial value of assets was \$2.47 billion, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 billion. The covered payroll (annual payroll of active employees covered by the plan) was \$1.66 billion, and the ratio of the UALL to the covered payroll was 2.7 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Net Pension Obligation The annual pension cost and net pension obligations, the significant actuarial assumptions, and three-year historical trend information of the single and agent multiple employer defined benefit plans are as follows:

| (amounts expressed in thousands)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Primary Government    | Discretely Presented Component Units |                       |               |                       |                               |                                            |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------|-----------------------|---------------|-----------------------|-------------------------------|--------------------------------------------|--|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | SPRF                  | PERF -State                          | ECRF                  | JRS           | PARF                  | LRS                           | TRF - Pre-1996 Account                     |  |
| <b>Annual Pension Cost and Net Pension Obligation (Asset)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                       |                                      |                       |               |                       |                               |                                            |  |
| Annual required contribution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$ 10,361.6           | \$ 99,134.7                          | \$ 3,675.8            | \$ 10,028.4   | \$ 1,040.4            | \$ 66.0                       | \$ 678,050.0                               |  |
| Interest on net pension obligation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 579.4                 | (3,868.0)                            | (40.5)                | (1,131.0)     | 185.3                 | (11.0)                        | 71,515.0                                   |  |
| Adjustment to annual required contribution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (674.2)               | 4,408.0                              | 46.2                  | 1,302.0       | (211.2)               | 16.9                          | (82,390.0)                                 |  |
| Annual pension cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 10,266.8              | 99,674.7                             | 3,681.5               | 10,199.4      | 1,014.5               | 71.9                          | 667,175.0                                  |  |
| Contributions made                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (9,472.5)             | (106,867.3)                          | (4,854.2)             | (15,920.3)    | (170.0)               | (100.0)                       | (675,682.0)                                |  |
| Increase (decrease) in net pension obligation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 794.3                 | (7,192.6)                            | (1,172.7)             | (5,720.9)     | 844.5                 | (28.1)                        | (8,507.0)                                  |  |
| Net pension obligation, beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 8,277.6               | (53,348.3)                           | (559.1)               | (15,599.7)    | 2,555.6               | (151.6)                       | 953,534.0                                  |  |
| Net pension obligation, end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$ 9,071.9            | \$ (60,540.9)                        | \$ (1,731.8)          | \$ (21,320.6) | \$ 3,400.1            | \$ (179.7)                    | \$ 945,027.0                               |  |
| <b>Significant Actuarial Assumptions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                       |                                      |                       |               |                       |                               |                                            |  |
| Investment rate of return                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 7.00%                 | 7.25%                                | 7.25%                 | N/A           | 7.25%                 | 7.25%                         | 7.50%                                      |  |
| Projected future salary increases:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                       |                                      |                       |               |                       |                               |                                            |  |
| Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 3.50 - 9.00%          | 4.00%                                | 4.50%                 | 4.00%         | 4.00%                 | 3.00%                         | 3.50 - 12.50%                              |  |
| Attributed to inflation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 3.5%                  | 3.0%                                 | 3.0%                  | 3.0%          | 3.0%                  | 3.0%                          | 3.25%                                      |  |
| Cost of living adjustments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | N/A                   | 1.50%                                | 1.50%                 | N/A           | N/A                   | 1.50%                         | 1.50%                                      |  |
| Contribution rates:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                       |                                      |                       |               |                       |                               |                                            |  |
| State                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 20.80%                | 6.50%                                | 20.75%                | pay-as-you-go | 6.50%                 | Flat Dollar Amount ***        | N/A                                        |  |
| Plan members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 5.00% - 6.00%         | 3.00%                                | 4.00%                 | 6.00%         | 6.00%                 | 0.00%                         | 3.0%                                       |  |
| Actuarial valuation date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 7/1/2009              | 7/1/2008                             | 7/1/2008              | 7/1/2008      | 7/1/2008              | 7/1/2008                      | 6/30/2008                                  |  |
| Actuarial cost method                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | entry age normal cost | entry age normal cost                | entry age normal cost | pay-as-you-go | entry age normal cost | accrued benefit (unit credit) | entry age normal cost                      |  |
| Amortization method                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | level dollar          | level dollar                         | level dollar          | N/A           | level dollar          | level dollar                  | level dollar                               |  |
| Amortization period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 40 years ****         | 30 years                             | 30 years              | N/A           | 30 years              | 30 years                      | 30 years                                   |  |
| Amortization period (from date)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 7/1/1997              | 7/1/2002                             | 7/1/2002              | N/A           | N/A                   | 7/1/1992                      | N/A                                        |  |
| Amortization period (open or closed)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | closed                | closed                               | closed                | N/A           | closed                | closed                        | N/A                                        |  |
| Asset valuation method                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | smoothed basis        | smoothed market value                | smoothed market value | N/A           | smoothed market value | smoothed market value         | 4-year smoothed market value with corridor |  |
| <b>Historical Trend Information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                       |                                      |                       |               |                       |                               |                                            |  |
| <u>Year ended June 30, 2009</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                                      |                       |               |                       |                               |                                            |  |
| Annual pension cost (APC)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 10,266.8           | *                                    | *                     | *             | *                     | *                             | *                                          |  |
| Percentage of APC contributed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 92.3%                 | *                                    | *                     | *             | *                     | *                             | *                                          |  |
| Net pension obligation (asset)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 9,071.9               | *                                    | *                     | *             | *                     | *                             | *                                          |  |
| <u>Year ended June 30, 2008</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                                      |                       |               |                       |                               |                                            |  |
| Annual pension cost (APC)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 9,082.8            | 99,674.7                             | 3,681.5               | 10,199.4      | 1,014.5               | 71.9                          | 667,175.0                                  |  |
| Percentage of APC contributed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 103.6%                | 107.2%                               | 131.9%                | 156.1%        | 16.8%                 | 139.1%                        | 101.3%                                     |  |
| Net pension obligation (asset)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 8,277.6            | (60,540.9)                           | (1,731.8)             | (21,320.6)    | 3,400.1               | (179.7)                       | 945,027.0                                  |  |
| <u>Year ended June 30, 2007</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                                      |                       |               |                       |                               |                                            |  |
| Annual pension cost (APC)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 9,361.2            | \$ 97,043.2                          | \$ 3,130.9            | \$ 12,384.3   | \$ 1,026.1            | \$ 125.6                      | \$ 592,436.0                               |  |
| Percentage of APC contributed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 129.4%                | 92.5%                                | 107.3%                | 118.4%        | 18.5%                 | 79.6%                         | 107.4%                                     |  |
| Net pension obligation (asset)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 8,607.0            | \$ (53,348.3)                        | \$ (559.1)            | \$ (15,599.7) | \$ 2,555.6            | \$ (151.6) **                 | \$ 953,534.0                               |  |
| <u>Year ended June 30, 2006</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                       |                                      |                       |               |                       |                               |                                            |  |
| Annual pension cost (APC)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ 12,609.0           | \$ 88,720.0                          | \$ 2,715.0            | \$ 15,058.1   | \$ 942.2              | \$ 96.3                       | \$ 546,285.0                               |  |
| Percentage of APC contributed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 59.8%                 | 82.2%                                | 92.0%                 | 89.9%         | 18.0%                 | 103.8%                        | 110.1%                                     |  |
| Net pension obligation (asset)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 11,359.4           | \$ (60,591.0)                        | \$ (331.3)            | \$ (10,985.7) | \$ 1,719.5            | \$ (177.9)                    | \$ 997,137.0                               |  |
| SPRF - State Police Retirement Fund<br>PERF - Public Employees' Retirement Fund<br>ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)<br>JRS - Judges' Retirement System (Administered by the PERF board of trustees)<br>PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)<br>LRS - Legislators' Retirement System (Administered by the PERF board of trustees)<br>TRF - Teachers' Retirement Fund<br>N/A - not applicable<br>* - information not available.<br>** - net pension obligation for LRS for the year ended June 30, 2007 was restated.<br>*** - \$44,613 based on July 1, 2008 actuarial valuation.<br>**** - 30 year amortization commended with July 1, 2007 actuarial valuation. 40 year period was permitted for 10 years after the effective date (July 1, 1997 for Indiana) of GASB 27. |                       |                                      |                       |               |                       |                               |                                            |  |



*The State sponsors the following cost-sharing multiple-employer plans:*

State Teachers' Retirement Fund (Presented as a discretely presented component unit)

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 5-10.4-2 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, 150 West Market Street, Suite 300, Indianapolis, IN 46204, by calling 317-232-3860, or at STRF's website, [www.in.gov/trf](http://www.in.gov/trf).

At June 30, 2009, the number of participating employers was 390.

Funding Policy Each member is required to contribute 3% of his/her compensation to the plan. The Indiana State Teachers' Retirement Fund is funded on a "pay as you go" basis for employees hired prior to July 1, 1995, and who have maintained continuous employment with the same school corporation or covered institution since that date. State appropriations are made for the amount of estimated pension benefit payouts for each fiscal year. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund. For employees hired on or after July 1, 1995; or hired before July 1, 1995, and prior to June 30, 2005, were either hired by another school corporation or institution covered by the Fund or were re-hired by a covered prior employer; the individual employer will make annual contributions. These contributions are set as a percentage of the employee's salary at a rate recommended by the Fund's actuaries and approved by the Fund's Board of Trustees.

As of June 30, 2008, TRF was 48.2% funded. Members in the Pre-1996 Account are funded on a "pay as you go" method for the employer portion of the pension and members in the 1996 Account are funded with employer contributions as they work. TRF accounts for these two classes of members as "Pre-

1996 Account" and "1996 Account", respectively. The Pre-1996 Account is 37.7% funded and the 1996 Account is 104.1% funded.

The funded ratio of the Fund has increased from 44% at June 30, 2003, to the ratio of 48% at June 30, 2008. The actuarial value of the Fund's assets as of the June 30, 2008 valuation was \$9.0 billion and the actuarial accrued liability was \$18.7 billion. The difference is the Fund's unfunded actuarial accrued liability of \$9.7 billion. The annual covered payroll as of the June 30, 2008, actuarial valuation was \$4.3 billion and the ratio of the unfunded actuarial liability to the annual covered payroll was 223%.

1977 Police Officers' and Firefighters' Pension and Disability Fund (Presented as part of PERF – a discretely presented component unit)

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing public employees retirement system administered by the Public Employees' Retirement Fund Board of Trustees. Indiana Code 36-8-8 governs the requirements of the Fund that provides retirement, disability, and survivor benefits. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

At June 30, 2009, the number of participating employer units totaled 163 (which include 257 police and fire departments).

Funding Policy A participant is required by statute to contribute six percent of a first class officer's or firefighter's salary for the term of their employment up to 32 years. Employer contributions are determined actuarially and the current rate is 19.5 percent of the salary of a first-class officer or firefighter. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.



The annual required contributions, percentage contributed, and three-year historical trend information, for the cost sharing, multiple-employer plans are as follows:

|                                                                                      | Discretely Presented Component Units |                |
|--------------------------------------------------------------------------------------|--------------------------------------|----------------|
|                                                                                      | STRF                                 | PFPF *         |
| <b>Historical Trend Information (dollars in thousands)</b>                           |                                      |                |
| <u>Year ended June 30, 2009</u>                                                      |                                      |                |
| Annual required contribution                                                         | n/a                                  | n/a            |
| Percentage contributed                                                               | n/a                                  | n/a            |
| <u>Year ended June 30, 2008</u>                                                      |                                      |                |
| Annual required contribution                                                         | \$ 678,050.0                         | \$ 89,673.7 ** |
| Percentage contributed                                                               | 100%                                 | 137% **        |
| <u>Year ended June 30, 2007</u>                                                      |                                      |                |
| Annual required contribution                                                         | \$ 602,904.0                         | \$ 102,964.2   |
| Percentage contributed**                                                             | 105%                                 | 139%           |
| <u>Year ended June 30, 2006</u>                                                      |                                      |                |
| Annual required contribution                                                         | \$ 556,460.0                         | \$ 97,286.4    |
| Percentage contributed**                                                             | 108%                                 | 112%           |
| STRF - State Teachers' Retirement Fund - Pre-1996 Account                            |                                      |                |
| PFPF - 1977 Police Officers and Firefighters' Retirement Fund (Administered by PERF) |                                      |                |
| * - year ended December 31                                                           |                                      |                |
| ** - Amount and percentage corrected from prior year's annual CAFR report.           |                                      |                |
| n/a - not available                                                                  |                                      |                |

*The State sponsors the following defined contribution plan:*

**Legislators' Retirement System – Legislators' Defined Contribution Plan (Presented as part of PERF – a discretely presented component unit)**

**Plan Description** The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, 143 West Market Street, 5<sup>th</sup> Floor, Indianapolis, IN 46204, by calling 317-233-4162, or by visiting PERF's website, [www.in.gov/perf](http://www.in.gov/perf).

**Funding Policy** For the Legislators' Defined Contribution Plan, each participant is required to contribute 5 percent of annual salary. In addition, the state of Indiana is required to contribute a percentage of the member's annual salary on behalf of the participant as determined by PERF and confirmed by the State Budget Agency each year. Effective January 1, 2009 the rate was established at 9.3 percent. For the LDB Plan, the amount required to actuarially fund participants' retirement benefits, as determined by the

PERF Board of Trustees on the recommendation of the actuary, is to be appropriated from the state of Indiana General Fund.

## **F. Other Postemployment Benefits**

### **Defined Benefit Plans**

**Plan Descriptions** The State of Indiana sponsors and contributes to four single-employer defined benefit healthcare plans: State Personnel Plan (SPP); Legislature Plan (LP); Indiana State Police Plan (ISPP); and the Conservation and Excise Police Plan (CEPP). The SPP and LP are administered by the State Personnel Department. The Indiana State Police administer the ISPP. The CEPP is administered by the Indiana State Excise Police and Indiana Conservation Officers Health Insurance Committee. All four plans provide medical plan health care benefits to eligible State employee retirees and beneficiaries. The medical benefits provided to retirees are the same benefit options afforded active employees. Benefit provisions for each plan are established and may be amended by Indiana Code 5-10-8 *et seq.* Separate financial reports are not issued for these plans.

**Funding Policy and Annual OPEB Cost** The contribution funding policy for each of the four plans is on a pay-as-you-go cash basis. The State of Indiana's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in

accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial

liabilities (or funding excess) over a period not to exceed thirty years.

The State of Indiana's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands):

|                                         | State<br>Personnel<br>Healthcare<br>Plan | Legislature's<br>Healthcare<br>Plan | Indiana State<br>Police<br>Healthcare<br>Plan | Conservation<br>and Excise<br>Police Health<br>Care Plan |
|-----------------------------------------|------------------------------------------|-------------------------------------|-----------------------------------------------|----------------------------------------------------------|
| Contribution rates:                     |                                          |                                     |                                               |                                                          |
| State of Indiana                        | Pay-as-you-go                            | Pay-as-you-go                       | Pay-as-you-go                                 | Pay-as-you-go                                            |
| Plan members (monthly premium)          | See next chart                           | See next chart                      | See next chart                                | See next chart                                           |
| Annual required contribution            | \$ 7,716                                 | \$ 497                              | \$ 35,271                                     | \$ 4,178                                                 |
| Interest on net OPEB obligation         | 252                                      | 10                                  | 1,209                                         | 138                                                      |
| Amortization adjustment to ARC          | (344)                                    | (13)                                | (1,650)                                       | (189)                                                    |
| Annual OPEB Cost                        | 7,624                                    | 494                                 | 34,830                                        | 4,127                                                    |
| Contributions made                      | (1,796)                                  | (301)                               | (7,910)                                       | (982)                                                    |
| Change in net OPEB obligation           | 5,828                                    | 193                                 | 26,920                                        | 3,145                                                    |
| Net OPEB obligation - beginning of year | 5,595                                    | 216                                 | 26,867                                        | 3,067                                                    |
| Net OPEB obligation - end of year       | \$ 11,423                                | \$ 409                              | \$ 53,787                                     | \$ 6,212                                                 |

The plan administrators (see plan descriptions above) establish the contribution requirements of plan members. Plan members (retirees and eligible dependents) who participate in these healthcare plans must pay the full monthly premiums (except for grandfathered LP current retirees). The following chart shows actual 2009 premium rates which are projected 2009 rates based on the plans actual claims

experience before reserve adjustment for the SP and LP plans. The premiums shown for the ISPP and CEPP plans are the 2008 monthly premiums.

|                                | State Personnel<br>Healthcare Plan (SP) |           | Legislature's Healthcare<br>Plan (LP) |           | Indiana State Police<br>Healthcare Plan (ISPP) |           | Conservation and<br>Excise Police Health<br>Care Plan (CEPP) |          |
|--------------------------------|-----------------------------------------|-----------|---------------------------------------|-----------|------------------------------------------------|-----------|--------------------------------------------------------------|----------|
| Contribution rates:            |                                         |           |                                       |           |                                                |           |                                                              |          |
|                                |                                         |           |                                       |           | Retiree plus<br>One                            |           | Retiree and                                                  |          |
| Plan members (monthly premium) | Single                                  | Family    | Single                                | Family    | Retiree Only                                   | Dependent | Retiree Only                                                 | Spouse   |
| High Deductible Health Plan #1 | \$ 277.48                               | \$ 790.83 | \$ 277.48                             | \$ 790.83 | N/A                                            | N/A       | N/A                                                          | N/A      |
| High Deductible Health Plan #2 | 357.12                                  | 1,017.80  | 357.12                                | 1,017.80  | N/A                                            | N/A       | N/A                                                          | N/A      |
| Anthem Traditional II          | 536.38                                  | 1,528.68  | 536.38                                | 1,528.68  | N/A                                            | N/A       | N/A                                                          | N/A      |
| Wellborn HMO                   | 450.39                                  | 1,239.88  | 450.39                                | 1,239.88  | N/A                                            | N/A       | N/A                                                          | N/A      |
| Medical (Pre-Medicare)         | N/A                                     | N/A       | N/A                                   | N/A       | \$ 197.13                                      | \$ 241.21 | \$ 64.88                                                     | \$ 87.92 |
| Medical (Post-Medicare)        | N/A                                     | N/A       | N/A                                   | N/A       | 89.02                                          | 87.24     | -                                                            | -        |

The State of Indiana's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for June 30, 2009 (the second

year of OPEB reporting) and June 30, 2008 (first year of OPEB reporting) for each of the plans were as follows (dollar amounts in thousands):

|                                                 | <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------------------------------------|-------------------|-------------------------|--------------------------------------------|----------------------------|
| State Personnel Healthcare Plan                 | 6/30/2009         | \$ 7,624                | 23.6%                                      | \$ 11,423                  |
|                                                 | 6/30/2008         | \$ 7,231                | 22.6%                                      | \$ 5,595                   |
| Legislature's Healthcare Plan                   | 6/30/2009         | 493                     | 61.0%                                      | 409                        |
|                                                 | 6/30/2008         | 492                     | 56.1%                                      | 216                        |
| Indiana State Police Healthcare Plan            | 6/30/2009         | 34,831                  | 22.7%                                      | 53,787                     |
|                                                 | 6/30/2008         | 34,275                  | 21.6%                                      | 26,867                     |
| Conservation and Excise Police Health Care Plan | 6/30/2009         | 4,128                   | 23.8%                                      | 6,212                      |
|                                                 | 6/30/2008         | 3,965                   | 22.7%                                      | 3,067                      |

A third year is not presented since this is only the second year for OPEB reporting.

Funded Status and Funding Progress The funded status of the plans as of June 30, 2009, was as follows (dollar amounts in thousands):

|                                                                                                          | <u>State Personnel Healthcare Plan</u> | <u>Legislature's Healthcare Plan</u> | <u>Indiana State Police Healthcare Plan</u> | <u>Conservation and Excise Police Health Care Plan</u> |
|----------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------|---------------------------------------------|--------------------------------------------------------|
| Actuarial accrued liability (a)                                                                          | \$ 67,405                              | \$ 8,009                             | \$ 341,923                                  | \$ 45,308                                              |
| Actuarial value of plan assets (b)                                                                       | -                                      | -                                    | -                                           | -                                                      |
| Unfunded actuarial accrued liability (funding excess) (a) - (b)                                          | \$ 67,405                              | \$ 8,009                             | \$ 341,923                                  | \$ 45,308                                              |
| Funded ratio (b)/(a)                                                                                     | 0.0%                                   | 0.0%                                 | 0.0%                                        | 0.0%                                                   |
| Covered payroll (c)                                                                                      | \$ 1,130,900                           | N/A                                  | N/A                                         | \$ 12,900                                              |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $((a)-(b))/(c)$ | 5.5%                                   | N/A                                  | N/A                                         | 332.1%                                                 |

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2007 projected to June 30, 2008 with adjustments for known experience for the period ending June 30, 2009. However, the covered payroll and unfunded actuarial accrued liability as a percentage of covered payroll in the above chart is that from the June 30, 2007 actuarial results.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of

funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

|                               | State Personnel<br>Healthcare Plan | Legislature's<br>Healthcare Plan | Indiana State<br>Police Healthcare<br>Plan | Conservation and<br>Excise Police<br>Health Care Plan |
|-------------------------------|------------------------------------|----------------------------------|--------------------------------------------|-------------------------------------------------------|
| Actuarial valuation date *    | 6/30/2008                          | 6/30/2008                        | 6/30/2008                                  | 6/30/2008                                             |
| Actuarial cost method         | Projected unit<br>credit           | Projected unit<br>credit         | Projected unit<br>credit                   | Projected unit<br>credit                              |
| Amortization method           | Level dollar<br>amount, open       | Level dollar<br>amount, open     | Level dollar<br>amount, open               | Level dollar<br>amount, open                          |
| Remaining amortization period | 30 years                           | 30 years                         | 30 years                                   | 30 years                                              |
| Asset valuation method        | N/A                                | N/A                              | N/A                                        | N/A                                                   |
| Actuarial assumptions:        |                                    |                                  |                                            |                                                       |
| Investment rate of return     | 4.5%                               | 4.5%                             | 4.5%                                       | 4.5%                                                  |
| Projected salary increases    | 4.0%                               | 4.0%                             | 4.0%                                       | 4.0%                                                  |
| Healthcare inflation rate *   | 8.7% pre-65 & 9.5%<br>post-65      | 8.7% pre-65 & 9.5%<br>post-65    | 6.8% pre-65 & 7.4%<br>post-65              | 8.7% pre-65 & 9.5%<br>post-65                         |

\* Most recent actuarial valuation is for the period ending June 30, 2007, but this data has been updated for the projection to June 30, 2008.

GASB 45 regulations permit employers to use the most recent available actuarial information up to two years prior to the current period. The State elected to use the actuarial results for the period ending June 30, 2007 projected to June 30, 2008 with adjustments for known experience for the period ending June 30, 2009. There have been no material changes in the retiree health benefits or contribution requirements from the most recent available actuarial valuation for the period ending June 30, 2007. However, the actuarial valuation date and the healthcare inflation rates were updated for the actuarial results projected to June 30, 2008.

### **Defined Contribution Plan**

**Plan Description** The State of Indiana sponsors one single employer defined contribution OPEB plan established as a trust fund, the Retiree Health Benefit Trust Fund, in IC 5-10-8-8.5. The State established this trust fund to provide funding for the retiree health benefit plan developed under IC 5-10-8.5. The plan is a benefit to employees who retire and are eligible for and have received a normal, unreduced or disability retirement benefit (as determined by statutes and codes governing a State public employee retirement fund). Qualified retirees of the State are eligible to receive retirement medical benefits from this Plan. Retirees' and/or covered dependents' qualifying health insurance and medical costs are eligible for reimbursement from their reimbursement account, subject to Plan conditions and limitations.

**Plan Provisions** Benefit provisions for this plan are established or may be amended by the State legislature. The State Budget Agency of the State of Indiana is the administrator of the plan pursuant to

Indiana Code 5-10-8-8.5. The plan establishes a retirement medical benefits account for elected officers, appointed officers, and employees of the executive, legislative, and judicial branches of state government to pay for participants' medical insurance after retirement. Benefits are entitled to be received from this account for a participant who: a) is eligible for and has applied to receive a normal, unreduced or disability retirement benefit under the Public Employees' Retirement Fund; or b) has completed at least 10 years of service as an elected or appointed officer; or c) has completed at least 15 years of service with the state for an employee. A surviving spouse or IRS dependent of a retired participant is allowed to receive the benefit from this account. Amounts credited to a retired participant are forfeited if the participant dies without a surviving spouse or IRS dependent.

The new trust meets the requirements of a qualified OPEB trust. The trust is qualified under section 115 of the Internal Revenue Code.

**Contributions** The State is required to make annual contributions to the account based on the following schedule:

| Employee's Age                | Annual State Contributions |
|-------------------------------|----------------------------|
| Less than 30                  | \$500                      |
| At least 30, but less than 40 | \$800                      |
| At least 40, but less than 50 | \$1,100                    |
| At least 50                   | \$1,400                    |

An additional bonus contribution is to be made upon a participant's retirement with normal unreduced

benefits if the retirement occurs between July 1, 2007 and July 1, 2017, and the retiree on the last day of service has completed at least 15 years of service or 10 years of service as an elected or appointed officer. The additional bonus contribution amount is one thousand dollars (\$1,000) multiplied by the participant's years of service (rounded down to the nearest whole year).

At June 30, 2009, the plan participants consisted of:

| Description                                        | Number        |
|----------------------------------------------------|---------------|
| Active participants with accounts, not yet retired | 33,518        |
| Retired participants with accounts                 | 1,977         |
| <b>Total</b>                                       | <b>35,495</b> |

At June 30, 2009, plan participants' retirement medical plan account balances totaled \$119.9 million which consisted of \$70.2 million in unretired active participants' accounts and \$49.7 million in retired participants' accounts.

This plan is a defined contribution individual account for GASB 45 purposes. The employer subsidy is defined in terms of an annual contribution to an individual account. Plan assets are maintained in the Retiree Health Benefit Trust Fund created by the State as a dedicated trust fund.

The trust fund consists of cigarette tax revenues deposited in the fund under IC 6-7-1-28.1(7) and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1. The plan benefits satisfy the condition of being a defined contribution OPEB benefit and by definition, there is no unfunded liability.

For the fiscal year ending June 30, 2009, the State contributed \$32.5 million to the State Retiree Health Fund. Another \$36.2 million was contributed by state agencies that are funded by federal or dedicated funds for their portion of funding. The total contribution for the fiscal year was \$68.7 million. The retiree contribution includes the bonus contributions of \$1,000 per year of service to employees retiring after July 1, 2007 who also met certain minimum age and service requirements. The annual required contribution for the year is \$68.7 million.

## G. Pollution Remediation Obligations

Nature and source of pollution remediation obligations: Five state agencies have identified themselves as responsible or potentially responsible parties to remediate seventy-seven pollution sites pursuant to the State's implementation of GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations effective July 1, 2008. Obligor events for the cleanup of these sites

include the federal Superfund law, being named by a regulator to remediate hazardous wastes and contamination, violation of the Resource Recovery and Conservation Act, being named in a lawsuit, and voluntarily assuming responsibility because of imminent threats to human health and the environment.

Amount of the estimated liability, methods and assumptions used for the estimate, and the potential for changes: The State's total estimated liability is \$66.7 million of which \$14.6 million is estimated to be payable within one year and \$52.1 million estimated to be payable in more than one year. State agencies calculated their estimated liabilities using various approaches including existing agreements, contractor bids, records of decisions from regulators, matching requirements under the Superfund law, previous actual costs to cleanup similar sites, investigation activities, well known and recognized estimation methods, court established fee structure, and through the sampling and knowing the size and volume of existing contamination at a site. Superfund site estimated liabilities also applied a rolling thirty year liability as this was the number of years determined to be reasonably estimable. The estimated liabilities of state agencies are subject to annual review and adjustment for changes in agreements, laws, regulations, court decisions, price increases or decreases for goods and services used in cleanup, and other relevant changes that come to light.

Estimated recoveries reducing the liability: The estimated recoveries total \$7.1 million. Of this total, \$1.9 million is unrealizable or has not yet been realized and has been applied to reduce the State's total estimated liability. Estimated recoveries include the proceeds from the sale of stock from a bankruptcy court settlement, coverage of allowable costs by the State's Excess Liability Trust Fund (ELTF), a credit received for work performed on another Superfund site, and a court order. The ELTF state law states that if insufficient funds exist to pay claims neither the State nor the Fund are liable for unpaid claims

# REQUIRED SUPPLEMENTARY INFORMATION



SPRF - State Police Retirement Fund  
PERF - Public Employees' Retirement Fund  
ECRF - Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund (Administered by the PERF board of trustees)  
JRS - Judges' Retirement System (Administered by the PERF board of trustees)  
PARF - Prosecuting Attorneys' Retirement Fund (Administered by the PERF board of trustees)  
LRS - Legislators' Retirement System (Administered by the PERF board of trustees)  
TRF - Teachers' Retirement Fund

## Schedule of Funding Progress Other Postemployment Benefits

(dollar amounts in thousands)

| Actuarial<br>Valuation<br>Date                        | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded Ratio<br>(a/b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll ((b-<br>a)/c) |
|-------------------------------------------------------|-------------------------------------|------------------------------------------------|---------------------------------|-----------------------|------------------------|----------------------------------------------------------------|
| <b>State Personnel Healthcare Plan</b>                |                                     |                                                |                                 |                       |                        |                                                                |
| 6/30/2008 *                                           | \$ -                                | \$ 67,405                                      | \$ 67,405                       | 0.0%                  | N/A                    | N/A                                                            |
| 6/30/2007 *                                           | \$ -                                | \$ 62,190                                      | \$ 62,190                       | 0.0%                  | \$ 1,130,900           | 5.5%                                                           |
| <b>Legislature's Healthcare Plan</b>                  |                                     |                                                |                                 |                       |                        |                                                                |
| 6/30/2008 *                                           | \$ -                                | \$ 8,009                                       | \$ 8,009                        | 0.0%                  | N/A                    | N/A                                                            |
| 6/30/2007 *                                           | \$ -                                | \$ 7,950                                       | \$ 7,950                        | 0.0%                  | N/A                    | N/A                                                            |
| <b>Indiana State Police Healthcare Plan</b>           |                                     |                                                |                                 |                       |                        |                                                                |
| 6/30/2008 *                                           | \$ -                                | \$ 341,923                                     | \$ 341,923                      | 0.0%                  | N/A                    | N/A                                                            |
| 6/30/2007 *                                           | \$ -                                | \$ 329,292                                     | \$ 329,292                      | 0.0%                  | N/A                    | N/A                                                            |
| <b>Conservation and Excise Police Healthcare Plan</b> |                                     |                                                |                                 |                       |                        |                                                                |
| 6/30/2008 *                                           | \$ -                                | \$ 45,308                                      | \$ 45,308                       | 0.0%                  | N/A                    | N/A                                                            |
| 6/30/2007 *                                           | \$ -                                | \$ 42,836                                      | \$ 42,836                       | 0.0%                  | \$ 12,900              | 332.1%                                                         |

\* The standard requires three years of information for this schedule. An additional year of information will be added next year and then it will be the current and two preceding years going forward.



## Schedule of Employer Contributions Other Postemployment Benefits

(dollar amounts in thousands)

| Year<br>Ended<br>June 30 | State Personnel<br>Healthcare Plan |                           |  | Legislature's Healthcare Plan      |                           |  | Indiana State Police<br>Healthcare Plan |                           |  | Conservation and Excise<br>Police Healthcare Plan |                           |  | Retiree Health Benefit Trust<br>Fund |                           |  |
|--------------------------|------------------------------------|---------------------------|--|------------------------------------|---------------------------|--|-----------------------------------------|---------------------------|--|---------------------------------------------------|---------------------------|--|--------------------------------------|---------------------------|--|
|                          | Annual<br>Required<br>Contribution | Percentage<br>Contributed |  | Annual<br>Required<br>Contribution | Percentage<br>Contributed |  | Annual<br>Required<br>Contribution      | Percentage<br>Contributed |  | Annual<br>Required<br>Contribution                | Percentage<br>Contributed |  | Annual<br>Required<br>Contribution   | Percentage<br>Contributed |  |

|      |    |       |       |    |     |       |    |        |       |    |       |       |    |        |        |
|------|----|-------|-------|----|-----|-------|----|--------|-------|----|-------|-------|----|--------|--------|
| 2009 | \$ | 7,716 | 23.3% | \$ | 497 | 60.6% | \$ | 35,271 | 22.4% | \$ | 4,178 | 23.5% | \$ | 67,213 | 100.0% |
| 2008 |    | 7,231 | 22.6% |    | 492 | 56.1% |    | 34,275 | 21.6% |    | 3,965 | 22.7% |    | 56,113 | 100.0% |

## Budgetary Information

The Governor submits a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes the Armory Board and the Recreation funds at State institutions. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated revenues. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The original budget is composed of the budget bill and continuing appropriations. The budget bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Continuing appropriations report budgeted expenditures as equal to the amount of revenues received during the year plus any balances carried forward from the previous year as determined by statute. Except as specifically provided by statute, appropriations or any part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The final budget is composed of budgeted amounts as adopted and as amended by supplemental appropriations or appropriation transfers that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year. Capital appropriations are initially posted to general government. As projects are approved by the State Budget Committee the appropriations are transferred to the function of government from which they are disbursed. In addition, expenditures under many federal grants are required to be spent before they are reimbursed by the federal government. These actions are considered supplemental appropriations; therefore, expenditures do not exceed appropriations for individual funds.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund center, certain recurring expenditures are not budgeted (medical service payments, unemployment benefits, tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all fund centers regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | General Fund          |                       |                            |                             |
|----------------------------------------------|-----------------------|-----------------------|----------------------------|-----------------------------|
|                                              | Budget                |                       | Actual                     | Variance to<br>Final Budget |
|                                              | Original              | Final                 |                            |                             |
| <b>Revenues:</b>                             |                       |                       |                            |                             |
| Taxes:                                       |                       |                       |                            |                             |
| Income                                       | \$ 5,190,007          | \$ 5,190,007          | \$ 5,130,651               | \$ (59,356)                 |
| Sales                                        | 2,889,816             | 2,889,816             | 6,083,032                  | 3,193,216                   |
| Fuels                                        | -                     | -                     | -                          | -                           |
| Gaming                                       | 5                     | 5                     | 82,507                     | 82,502                      |
| Inheritance                                  | 147,500               | 147,500               | 185,661                    | 38,161                      |
| Alcohol and tobacco                          | 323,574               | 323,574               | 335,379                    | 11,805                      |
| Insurance                                    | 177,200               | 177,200               | 187,410                    | 10,210                      |
| Other                                        | 15                    | 15                    | 228,934                    | 228,919                     |
| Total taxes                                  | 8,728,117             | 8,728,117             | 12,233,574                 | 3,505,457                   |
| Current service charges                      | 171,798               | 171,798               | 181,155                    | 9,357                       |
| Investment income                            | 130,600               | 130,600               | 76,696                     | (53,904)                    |
| Sales/rents                                  | 3,395                 | 3,395                 | 1,804                      | (1,591)                     |
| Grants                                       | -                     | -                     | 11,242                     | 11,242                      |
| Other                                        | 36,523                | 36,523                | 39,312                     | 2,789                       |
| Total revenues                               | 9,070,433             | 9,070,433             | 12,543,783                 | 3,473,350                   |
| <b>Expenditures:</b>                         |                       |                       |                            |                             |
| Current:                                     |                       |                       |                            |                             |
| General government                           | 2,507,243             | 2,038,911             | 2,016,846                  | 22,065                      |
| Public safety                                | 724,573               | 708,447               | 705,937                    | 2,510                       |
| Health                                       | 92,096                | 68,975                | 68,671                     | 304                         |
| Welfare                                      | 2,900,392             | 310,811               | 302,992                    | 7,819                       |
| Conservation, culture and development        | 116,450               | 117,082               | 88,990                     | 28,092                      |
| Education                                    | 8,072,892             | 7,232,226             | 7,223,360                  | 8,866                       |
| Transportation                               | 500                   | 3,285                 | 2,166                      | 1,119                       |
| Other                                        | -                     | 3                     | 3                          | -                           |
| Total expenditures                           | 14,414,146            | 10,479,740            | 10,408,965                 | 70,775                      |
| Excess of revenues over (under) expenditures | (5,343,713)           | (1,409,307)           | 2,134,818                  | (3,544,125)                 |
| <b>Other financing sources (uses):</b>       |                       |                       |                            |                             |
| Total other financing sources (uses)         | (3,121,696)           | (3,121,696)           | (3,121,696)                | -                           |
| <b>Net change in fund balances</b>           | <u>\$ (8,465,409)</u> | <u>\$ (4,531,003)</u> | <u>\$ (986,878)</u>        | <u>\$ 3,544,125</u>         |
| <b>Fund balances July 1, as restated</b>     |                       |                       | <u>\$ 1,999,480</u>        |                             |
| <b>Fund balances June 30</b>                 |                       |                       | <u><b>\$ 1,012,602</b></u> |                             |

| Motor Vehicle Highway Fund |           |                  |                             | Medicaid Assistance |             |                  |                             |
|----------------------------|-----------|------------------|-----------------------------|---------------------|-------------|------------------|-----------------------------|
| Budget                     |           | Actual           | Variance to<br>Final Budget | Budget              |             | Actual           | Variance to<br>Final Budget |
| Original                   | Final     |                  |                             | Original            | Final       |                  |                             |
| \$ -                       | \$ -      | \$ -             | \$ -                        | \$ -                | \$ -        | \$ -             | \$ -                        |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| 313,313                    | 313,313   | 444,588          | 131,275                     | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| 173,846                    | 173,846   | -                | (173,846)                   | -                   | -           | -                | -                           |
| 487,159                    | 487,159   | 444,588          | (42,571)                    | -                   | -           | -                | -                           |
| 135,092                    | 135,092   | 122,032          | (13,060)                    | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | 86                  | 86          | -                | (86)                        |
| 5                          | 5         | 7                | 2                           | -                   | -           | -                | -                           |
| 12,883                     | 12,883    | 17,494           | 4,611                       | 4,099,270           | 4,099,270   | 3,655,521        | (443,749)                   |
| 35,152                     | 35,152    | 30,070           | (5,082)                     | 554,292             | 554,292     | 143,397          | (410,895)                   |
| 670,291                    | 670,291   | 614,191          | (56,100)                    | 4,653,648           | 4,653,648   | 3,798,918        | (854,730)                   |
| 12,847                     | 278,565   | 278,565          | -                           | -                   | 23          | -                | 23                          |
| 210,826                    | 214,888   | 214,888          | -                           | -                   | -           | -                | -                           |
| -                          | 110       | 110              | -                           | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | 5,702,380   | 5,280,154        | 422,226                     |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| 273                        | 266       | 266              | -                           | -                   | -           | -                | -                           |
| -                          | 2,291     | 2,291            | -                           | -                   | -           | -                | -                           |
| -                          | -         | -                | -                           | -                   | -           | -                | -                           |
| 223,946                    | 496,120   | 496,120          | -                           | -                   | 5,702,403   | 5,280,154        | 422,249                     |
| 446,345                    | 174,171   | 118,071          | 56,100                      | 4,653,648           | (1,048,755) | (1,481,236)      | 432,481                     |
| (124,878)                  | (124,878) | (124,878)        | -                           | 1,491,116           | 1,491,116   | 1,491,116        | -                           |
| \$ 321,467                 | \$ 49,293 | \$ (6,807)       | \$ (56,100)                 | \$ 6,144,764        | \$ 442,361  | \$ 9,880         | \$ (432,481)                |
|                            |           | 50,872           |                             |                     |             | \$ 70,883        |                             |
|                            |           | <u>\$ 44,065</u> |                             |                     |             | <u>\$ 80,763</u> |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | <b>Major Moves Construction Fund</b> |                     |                            |                                     |
|----------------------------------------------|--------------------------------------|---------------------|----------------------------|-------------------------------------|
|                                              | <b>Budget</b>                        |                     | <b>Actual</b>              | <b>Variance to<br/>Final Budget</b> |
|                                              | <b>Original</b>                      | <b>Final</b>        |                            |                                     |
| <b>Revenues:</b>                             |                                      |                     |                            |                                     |
| Taxes:                                       |                                      |                     |                            |                                     |
| Income                                       | \$ -                                 | \$ -                | \$ -                       | \$ -                                |
| Sales                                        | -                                    | -                   | -                          | -                                   |
| Fuels                                        | -                                    | -                   | -                          | -                                   |
| Gaming                                       | -                                    | -                   | -                          | -                                   |
| Inheritance                                  | -                                    | -                   | -                          | -                                   |
| Alcohol and tobacco                          | -                                    | -                   | -                          | -                                   |
| Insurance                                    | -                                    | -                   | -                          | -                                   |
| Other                                        | -                                    | -                   | -                          | -                                   |
| Total taxes                                  | -                                    | -                   | -                          | -                                   |
| Current service charges                      | -                                    | -                   | -                          | -                                   |
| Investment income                            | 150,784                              | 150,784             | 108,843                    | (41,941)                            |
| Sales/rents                                  | -                                    | -                   | -                          | -                                   |
| Grants                                       | -                                    | -                   | -                          | -                                   |
| Other                                        | -                                    | -                   | -                          | -                                   |
| Total revenues                               | <u>150,784</u>                       | <u>150,784</u>      | <u>108,843</u>             | <u>(41,941)</u>                     |
| <b>Expenditures:</b>                         |                                      |                     |                            |                                     |
| Current:                                     |                                      |                     |                            |                                     |
| General government                           | 611,000                              | 43                  | -                          | 43                                  |
| Public safety                                | -                                    | -                   | -                          | -                                   |
| Health                                       | -                                    | -                   | -                          | -                                   |
| Welfare                                      | -                                    | -                   | -                          | -                                   |
| Conservation, culture and development        | -                                    | -                   | -                          | -                                   |
| Education                                    | -                                    | -                   | -                          | -                                   |
| Transportation                               | -                                    | 10,209              | 10,209                     | -                                   |
| Other                                        | -                                    | -                   | -                          | -                                   |
| Total expenditures                           | <u>611,000</u>                       | <u>10,252</u>       | <u>10,209</u>              | <u>43</u>                           |
| Excess of revenues over (under) expenditures | (460,216)                            | 140,532             | 98,634                     | 41,898                              |
| <b>Other financing sources (uses):</b>       |                                      |                     |                            |                                     |
| Total other financing sources (uses)         | <u>(399,000)</u>                     | <u>(399,000)</u>    | <u>(399,000)</u>           | <u>-</u>                            |
| <b>Net change in fund balances</b>           | <u>\$ (859,216)</u>                  | <u>\$ (258,468)</u> | <u>\$ (300,366)</u>        | <u>\$ (41,898)</u>                  |
| <b>Fund balances July 1, as restated</b>     |                                      |                     | <u>\$ 2,609,326</u>        |                                     |
| <b>Fund balances June 30</b>                 |                                      |                     | <u><b>\$ 2,308,960</b></u> |                                     |

| State Highway Department |                     |                   |                             | Property Tax Replacement Fund |                     |             |                             |
|--------------------------|---------------------|-------------------|-----------------------------|-------------------------------|---------------------|-------------|-----------------------------|
| Budget                   |                     | Actual            | Variance to<br>Final Budget | Budget                        |                     | Actual      | Variance to<br>Final Budget |
| Original                 | Final               |                   |                             | Original                      | Final               |             |                             |
| \$ -                     | \$ -                | \$ -              | \$ -                        | \$ -                          | \$ -                | \$ -        | \$ -                        |
| -                        | -                   | -                 | -                           | 2,298,424                     | 2,298,424           | -           | (2,298,424)                 |
| 1                        | 1                   | 3                 | 2                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| 1                        | 1                   | 3                 | 2                           | 2,298,424                     | 2,298,424           | -           | (2,298,424)                 |
| 5,710                    | 5,710               | 1,421             | (4,289)                     | -                             | -                   | -           | -                           |
| 379                      | 379                 | 201               | (178)                       | -                             | -                   | -           | -                           |
| 1,532                    | 1,532               | 2,239             | 707                         | -                             | -                   | -           | -                           |
| 683,227                  | 683,227             | 945,876           | 262,649                     | -                             | -                   | -           | -                           |
| 85,766                   | 85,766              | 89,212            | 3,446                       | -                             | -                   | -           | -                           |
| 776,615                  | 776,615             | 1,038,952         | 262,337                     | 2,298,424                     | 2,298,424           | -           | (2,298,424)                 |
| -                        | 1,053               | 1,053             | -                           | -                             | 1,020,134           | 1,020,134   | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| 2,057,776                | 1,997,678           | 1,844,218         | 153,460                     | -                             | -                   | -           | -                           |
| -                        | -                   | -                 | -                           | -                             | -                   | -           | -                           |
| 2,057,776                | 1,998,731           | 1,845,271         | 153,460                     | -                             | 1,020,134           | 1,020,134   | -                           |
| (1,281,161)              | (1,222,116)         | (806,319)         | (415,797)                   | 2,298,424                     | 1,278,290           | (1,020,134) | 2,298,424                   |
| 820,373                  | 820,373             | 820,373           | -                           | 1,020,134                     | 1,020,134           | 1,020,134   | -                           |
| <u>\$ (460,788)</u>      | <u>\$ (401,743)</u> | \$ 14,054         | <u>\$ 415,797</u>           | <u>\$ 3,318,558</u>           | <u>\$ 2,298,424</u> | \$ -        | <u>\$ (2,298,424)</u>       |
|                          |                     | \$ 170,241        |                             |                               |                     | \$ -        |                             |
|                          |                     | <u>\$ 184,295</u> |                             |                               |                     | <u>\$ -</u> |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | ARRA of 2009 Fund |                     |                        |                             |
|----------------------------------------------|-------------------|---------------------|------------------------|-----------------------------|
|                                              | Budget            |                     | Actual                 | Variance to<br>Final Budget |
|                                              | Original          | Final               |                        |                             |
| <b>Revenues:</b>                             |                   |                     |                        |                             |
| Taxes:                                       |                   |                     |                        |                             |
| Income                                       | \$ -              | \$ -                | \$ -                   | \$ -                        |
| Sales                                        | -                 | -                   | -                      | -                           |
| Fuels                                        | -                 | -                   | -                      | -                           |
| Gaming                                       | -                 | -                   | -                      | -                           |
| Inheritance                                  | -                 | -                   | -                      | -                           |
| Alcohol and tobacco                          | -                 | -                   | -                      | -                           |
| Insurance                                    | -                 | -                   | -                      | -                           |
| Other                                        | -                 | -                   | -                      | -                           |
| Total taxes                                  | -                 | -                   | -                      | -                           |
| Current service charges                      | -                 | -                   | -                      | -                           |
| Investment income                            | -                 | -                   | -                      | -                           |
| Sales/rents                                  | -                 | -                   | -                      | -                           |
| Grants                                       | -                 | -                   | 955,414                | 955,414                     |
| Other                                        | -                 | -                   | -                      | -                           |
| Total revenues                               | -                 | -                   | 955,414                | 955,414                     |
| <b>Expenditures:</b>                         |                   |                     |                        |                             |
| Current:                                     |                   |                     |                        |                             |
| General government                           | -                 | -                   | -                      | -                           |
| Public safety                                | -                 | -                   | -                      | -                           |
| Health                                       | -                 | -                   | -                      | -                           |
| Welfare                                      | -                 | 392,831             | 392,831                | -                           |
| Conservation, culture and development        | -                 | 1,629               | 2,390                  | (761)                       |
| Education                                    | -                 | 543,959             | 543,959                | -                           |
| Transportation                               | -                 | 9,521               | 9,521                  | -                           |
| Other                                        | -                 | -                   | -                      | -                           |
| Total expenditures                           | -                 | 947,940             | 948,701                | (761)                       |
| Excess of revenues over (under) expenditures | -                 | (947,940)           | 6,713                  | (954,653)                   |
| <b>Other financing sources (uses):</b>       |                   |                     |                        |                             |
| Total other financing sources (uses)         | (6)               | (6)                 | (6)                    | -                           |
| <b>Net change in fund balances</b>           | <u>\$ (6)</u>     | <u>\$ (947,946)</u> | <u>\$ 6,707</u>        | <u>\$ 954,653</u>           |
| <b>Fund balances July 1, as restated</b>     |                   |                     | <u>\$ -</u>            |                             |
| <b>Fund balances June 30</b>                 |                   |                     | <u><u>\$ 6,707</u></u> |                             |

## Budget/GAAP Reconciliation Major Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

| (amounts expressed in thousands)                                                                                        | GENERAL<br>FUND       | MOTOR<br>VEHICLE<br>HIGHWAY<br>FUND | MEDICAID<br>ASSISTANCE<br>FUND | MAJOR MOVES<br>CONSTRUCTION<br>FUND | STATE<br>HIGHWAY<br>DEPARTMENT | PROPERTY<br>TAX RELIEF<br>FUND | ARRA OF 2009<br>FUND | Total                 |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|----------------------|-----------------------|
| Net change in fund balances<br>(budgetary basis)                                                                        | \$ (986,878)          | \$ (6,807)                          | \$ 9,880                       | \$ (300,366)                        | \$ 14,054                      | \$ -                           | \$ 6,707             | \$ (1,263,411)        |
| Adjustments necessary to convert<br>the results of operations on a<br>budgetary basis to a GAAP basis<br>are:           |                       |                                     |                                |                                     |                                |                                |                      |                       |
| Revenues are recorded when<br>earned (GAAP) as opposed to<br>when cash is received<br>(budgetary)                       | (138,598)             | 496                                 | 56,788                         | (6,963)                             | 24,926                         | -                              | 41,200               | (22,152)              |
| Expenditures are recorded when<br>the liability is incurred (GAAP) as<br>opposed to when payment is<br>made (budgetary) | (141,547)             | 8,675                               | (82,609)                       | (4,496)                             | (8,237)                        | (0)                            | (36,343)             | (264,558)             |
| <b>Net change in fund balances<br/>(GAAP basis)</b>                                                                     | <b>\$ (1,267,023)</b> | <b>\$ 2,363</b>                     | <b>\$ (15,942)</b>             | <b>\$ (311,825)</b>                 | <b>\$ 30,742</b>               | <b>\$ (0)</b>                  | <b>\$ 11,564</b>     | <b>\$ (1,550,121)</b> |



### Infrastructure - Modified Reporting

#### Condition Rating of the State's Highways and Bridges

##### Roads

##### Average Pavement Quality Index (PQI)

|                                                                      | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|----------------------------------------------------------------------|-------------|-------------|-------------|
| Interstate Roads (including Rest Areas and Weigh Stations)           | 85%         | 84%         | 83%         |
| NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations) | 88%         | 83%         | 82%         |
| Non-NHS Roads                                                        | 84%         | 79%         | 79%         |

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of three distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in excellent condition (90-100), good condition (80-89), fair condition (70-79), and poor condition (less than 70).

It is the State's policy to maintain Interstate and NHS Non-Interstate roads at an average PQI of 75 and Non-NHS roads at an average PQI of 65. Condition assessments are determined on an annual basis for Interstates and on a biennial basis for other roads. The ratings provided are based on data gathered during the summer (July and August) of the corresponding fiscal year. The data are evaluated and compared to standard criteria by the end of the fiscal year.

##### Bridges

##### Average Sufficiency Rating

|                              | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------------------|-------------|-------------|-------------|
| Interstate Bridges           | 90.6%       | 88.9%       | 90.4%       |
| NHS Bridges - Non-Interstate | 90.6%       | 89.6%       | 90.4%       |
| Non-NHS Bridges              | 88.7%       | 87.4%       | 88.3%       |

The condition of the State's bridges is measured based on a sufficiency rating, which is based on a weighted average of four factors indicative of a bridge's sufficiency to remain in service. The sufficiency rating uses a measurement scale that ranges from zero for an entirely insufficient or deficient bridge to 100 for an entirely sufficient bridge. The sufficiency rating is used to classify bridges in excellent condition (90-100), good condition (80-89), fair condition (70-79), marginal condition (60-69), and poor condition (below 60). It is the State's policy to maintain Interstate bridges at a minimum sufficiency rating of 87%, NHS Non-Interstate bridges at 85%, and Non-NHS bridges at 83%. Sufficiency ratings are determined at least on a biennial basis for all bridges. Sufficiency ratings are determined more frequently for certain bridges depending on their design.

**Infrastructure - Modified Reporting**  
**Comparison of Needed-to-Actual Maintenance/Preservation**  
**(dollars in thousands)**

|                                                                                  | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|----------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Roads</b>                                                                     |             |             |             |             |             |
| Interstate Roads (including Rest Areas and Weigh Stations):                      |             |             |             |             |             |
| Needed                                                                           | \$ 263,764  | \$ 120,147  | \$ 212,485  | \$ 105,267  | \$ 151,999  |
| Actual                                                                           | 246,089     | 256,482     | 248,803     | 126,361     | 140,667     |
| NHS and Non-NHS Roads - Non-Interstate (including Rest Areas and Weigh Stations) |             |             |             |             |             |
| Needed                                                                           | 391,641     | 419,001     | 145,720     | 234,789     | 230,453     |
| Actual                                                                           | 571,000     | 374,770     | 297,223     | 413,557     | 376,969     |
| Roads at State Institutions and Properties                                       |             |             |             |             |             |
| Needed                                                                           | 1,734       | 1,225       | 2,529       | 1,173       | 2,903       |
| Actual                                                                           | 4,884       | 3,146       | 3,069       | 4,496       | 5,595       |
| Total                                                                            |             |             |             |             |             |
| Needed                                                                           | 657,139     | 540,373     | 360,734     | 341,229     | 385,355     |
| Actual                                                                           | 821,973     | 634,398     | 549,095     | 544,414     | 523,231     |
| <b>Bridges</b>                                                                   |             |             |             |             |             |
| Interstate Bridges                                                               |             |             |             |             |             |
| Needed                                                                           | \$ 82,668   | \$ 34,723   | \$ 37,157   | \$ 5,749    | \$ 39,166   |
| Actual                                                                           | 37,931      | 43,904      | 37,070      | 29,520      | 23,863      |
| NHS Bridges - Non-Interstate                                                     |             |             |             |             |             |
| Needed                                                                           | 24,438      | 4,695       | 10,220      | 31,943      | 2,021       |
| Actual                                                                           | 7,794       | 13,568      | 14,154      | 11,459      | 1,282       |
| Non-NHS Bridges                                                                  |             |             |             |             |             |
| Needed                                                                           | 48,214      | 26,694      | 31,549      | 44,859      | 32,597      |
| Actual                                                                           | 39,707      | 34,138      | 35,118      | 31,145      | 61,271      |
| Bridges at State Institutions and Properties                                     |             |             |             |             |             |
| Needed                                                                           | -           | -           | -           | -           | 164         |
| Actual                                                                           | 253         | 3           | -           | -           | 796         |
| Total                                                                            |             |             |             |             |             |
| Needed                                                                           | 155,320     | 66,112      | 78,926      | 82,551      | 73,948      |
| Actual                                                                           | 85,685      | 91,613      | 86,342      | 72,124      | 87,212      |

Data provided by Comparative Report of Preservation Costs



## OTHER SUPPLEMENTARY INFORMATION



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Funds of material significance are presented separately in these combining statements. All other funds are included under the description "Other Special Revenue Funds."

The following funds are used to account for welfare assistance and administration and other welfare and education related entitlement programs:

- County Welfare Administration
- State and Federal Welfare Assistance
- Medicaid Administration
- National School Lunch
- Federal Food Stamp Program
- Medicaid Indigent Care Trust

The following funds are used to account for transportation and motor vehicle related programs:

- Bureau of Motor Vehicles Commission
- Primary Road and Street

The following funds are used to account for health and environmental programs:

- Health and Environmental Programs
- Indiana Check-Up Plan
- Patients Compensation Fund
- Tobacco Settlement Fund

The following funds are used to receive and distribute certain revenues to the proper sources:

- State Gaming Fund
- Build Indiana Fund
- Property Tax Reduction Trust Fund

The following fund is used to account for federal and non-federal programs:

- Fund 6000 Programs

The following fund is used to account for funds held in reserve to support tuition support distributions under Indiana Code 20-43:

- State Tuition Reserve Fund

## NON-MAJOR GOVERNMENTAL FUNDS

### CAPITAL PROJECTS FUNDS

Capital project funds account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

**Army National Guard Construction** – This fund accounts for the financing of new construction, rehabilitation and preventive maintenance for Indiana Army National Guard Posts.

**Post War Construction Fund** – This fund accounts for new construction, rehabilitation and preventative maintenance of penal, benevolent and charitable institutions of the state.

### PERMANENT FUNDS

Permanent Funds account for resources of the State that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support State programs.

**Common School Principal Fund** - The interest of the Common School Fund is annually appropriated for the support of the common schools.

**Next Generation Trust Fund** - This fund is used to hold title to proceeds transferred to the trust under IC 8-15.5-11. The interest is appropriated every five years beginning March 15, 2011 and is to be used exclusively for the provision of highways, roads, and bridges for the benefit of the people of Indiana and the users of those facilities.

**State of Indiana**  
**Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Non-Major<br>Special Revenue<br>Funds | Non-Major<br>Capital Projects<br>Funds | Non-Major<br>Permanent Funds | Total               |
|-----------------------------------------------------|---------------------------------------|----------------------------------------|------------------------------|---------------------|
| <b>Assets:</b>                                      |                                       |                                        |                              |                     |
| Cash, cash equivalents and investments-unrestricted | \$ 2,790,104                          | \$ 97,235                              | \$ 646,675                   | \$ 3,534,014        |
| Securities lending collateral                       | 230,853                               | -                                      | 70,088                       | 300,941             |
| Receivables:                                        |                                       |                                        |                              |                     |
| Taxes (net of allowance for uncollectible accounts) | 191,121                               | 1,826                                  | -                            | 192,947             |
| Securities lending                                  | 1,138                                 | -                                      | 317                          | 1,455               |
| Accounts                                            | 43,814                                | -                                      | -                            | 43,814              |
| Grants                                              | 178,661                               | 7,709                                  | -                            | 186,370             |
| Interest                                            | 90                                    | -                                      | 6                            | 96                  |
| Due from component unit                             | 32,057                                | -                                      | -                            | 32,057              |
| Prepaid expenditures                                | 8                                     | -                                      | -                            | 8                   |
| Loans                                               | 11,265                                | -                                      | 448,453                      | 459,718             |
|                                                     | <u>3,479,111</u>                      | <u>106,770</u>                         | <u>1,165,539</u>             | <u>4,751,420</u>    |
| Total assets                                        | \$ 3,479,111                          | \$ 106,770                             | \$ 1,165,539                 | \$ 4,751,420        |
| <b>Liabilities:</b>                                 |                                       |                                        |                              |                     |
| Accounts payable                                    | \$ 198,997                            | \$ 1,440                               | \$ 270                       | \$ 200,707          |
| Salaries and benefits payable                       | 32,245                                | 50                                     | -                            | 32,295              |
| Interfund loans                                     | 48,525                                | 4,946                                  | -                            | 53,471              |
| Interfund services used                             | 6,165                                 | -                                      | -                            | 6,165               |
| Intergovernmental payable                           | 54,516                                | -                                      | -                            | 54,516              |
| Tax refunds payable                                 | 4,154                                 | -                                      | -                            | 4,154               |
| Deferred revenue                                    | 57,744                                | 8                                      | -                            | 57,752              |
| Accrued liability for compensated absences-current  | 2,320                                 | 3                                      | -                            | 2,323               |
| Pollution remediation payable                       | 212                                   | -                                      | -                            | 212                 |
| Securities lending payable                          | 1,138                                 | -                                      | 317                          | 1,455               |
| Securities lending collateral                       | 230,853                               | -                                      | 70,088                       | 300,941             |
|                                                     | <u>636,869</u>                        | <u>6,447</u>                           | <u>70,675</u>                | <u>713,991</u>      |
| Total liabilities                                   | 636,869                               | 6,447                                  | 70,675                       | 713,991             |
| <b>Fund balance:</b>                                |                                       |                                        |                              |                     |
| Reserved:                                           |                                       |                                        |                              |                     |
| Encumbrances                                        | 192,442                               | 7,146                                  | -                            | 199,588             |
| Special purposes                                    | 4,768                                 | -                                      | -                            | 4,768               |
| Tuition support                                     | 941,719                               | -                                      | -                            | 941,719             |
| Reserved for long-term loans and advances           | 10,878                                | -                                      | 433,360                      | 444,238             |
| Reserved for restricted purposes                    | 136,871                               | 7,709                                  | -                            | 144,580             |
| Unreserved:                                         |                                       |                                        |                              |                     |
| Designated for Appropriations                       | 712,290                               | 63,503                                 | 424                          | 776,217             |
| Designated for Allotments                           | 627,959                               | 20,405                                 | 120,051                      | 768,415             |
| Unreserved Undesignated fund balance                | 215,315                               | 1,560                                  | 541,029                      | 757,904             |
| Unreserved                                          | <u>1,555,564</u>                      | <u>85,468</u>                          | <u>661,504</u>               | <u>2,302,536</u>    |
|                                                     | <u>2,842,242</u>                      | <u>100,323</u>                         | <u>1,094,864</u>             | <u>4,037,429</u>    |
| Total fund balances                                 | 2,842,242                             | 100,323                                | 1,094,864                    | 4,037,429           |
| <b>Total liabilities and fund balances</b>          | <u>\$ 3,479,111</u>                   | <u>\$ 106,770</u>                      | <u>\$ 1,165,539</u>          | <u>\$ 4,751,420</u> |

**State of Indiana**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <b>Non-Major<br/>Special Revenue<br/>Funds</b> | <b>Non-Major<br/>Capital Projects<br/>Funds</b> | <b>Non-Major<br/>Permanent Funds</b> | <b>Total</b>        |
|---------------------------------------------------|------------------------------------------------|-------------------------------------------------|--------------------------------------|---------------------|
| <b>Revenues:</b>                                  |                                                |                                                 |                                      |                     |
| Taxes:                                            |                                                |                                                 |                                      |                     |
| Income                                            | \$ 139,210                                     | \$ -                                            | \$ -                                 | \$ 139,210          |
| Sales                                             | 145,992                                        | -                                               | -                                    | 145,992             |
| Fuels                                             | 327,497                                        | -                                               | -                                    | 327,497             |
| Gaming                                            | 796,781                                        | -                                               | -                                    | 796,781             |
| Alcohol and tobacco                               | 187,066                                        | 18,049                                          | -                                    | 205,115             |
| Insurance                                         | 4,396                                          | -                                               | -                                    | 4,396               |
| Financial Institutions                            | 16,025                                         | -                                               | -                                    | 16,025              |
| Other                                             | 275,281                                        | -                                               | -                                    | 275,281             |
| Total taxes                                       | 1,892,248                                      | 18,049                                          | -                                    | 1,910,297           |
| Current service charges                           | 1,083,524                                      | 1,710                                           | 6,855                                | 1,092,089           |
| Investment income                                 | 10,603                                         | -                                               | (10,293)                             | 310                 |
| Sales/rents                                       | 16,319                                         | -                                               | -                                    | 16,319              |
| Grants                                            | 3,834,729                                      | 25,058                                          | -                                    | 3,859,787           |
| Other                                             | 445,946                                        | 79                                              | 755                                  | 446,780             |
| Total revenues                                    | 7,283,369                                      | 44,896                                          | (2,683)                              | 7,325,582           |
| <b>Expenditures:</b>                              |                                                |                                                 |                                      |                     |
| Current:                                          |                                                |                                                 |                                      |                     |
| General government                                | 885,370                                        | 2,469                                           | 2,559                                | 890,398             |
| Public safety                                     | 545,026                                        | 36,704                                          | -                                    | 581,730             |
| Health                                            | 306,172                                        | 85                                              | -                                    | 306,257             |
| Welfare                                           | 2,880,855                                      | 103                                             | -                                    | 2,880,958           |
| Conservation, culture and development             | 572,968                                        | -                                               | -                                    | 572,968             |
| Education                                         | 1,188,079                                      | -                                               | -                                    | 1,188,079           |
| Transportation                                    | 219,889                                        | -                                               | -                                    | 219,889             |
| Total expenditures                                | 6,598,359                                      | 39,361                                          | 2,559                                | 6,640,279           |
| Excess (deficiency) of revenues over expenditures | 685,010                                        | 5,535                                           | (5,242)                              | 685,303             |
| <b>Other financing sources (uses):</b>            |                                                |                                                 |                                      |                     |
| Transfers in                                      | 3,141,931                                      | 1,445                                           | -                                    | 3,143,376           |
| Transfers (out)                                   | (2,822,187)                                    | (744)                                           | -                                    | (2,822,931)         |
| Proceeds from capital lease                       | 127                                            | -                                               | -                                    | 127                 |
| Total other financing sources (uses)              | 319,871                                        | 701                                             | -                                    | 320,572             |
| <b>Net change in fund balances</b>                | 1,004,881                                      | 6,236                                           | (5,242)                              | 1,005,875           |
| <b>Fund Balance July 1, as restated</b>           | 1,837,361                                      | 94,087                                          | 1,100,106                            | 3,031,554           |
| <b>Fund Balance June 30</b>                       | <b>\$ 2,842,242</b>                            | <b>\$ 100,323</b>                               | <b>\$ 1,094,864</b>                  | <b>\$ 4,037,429</b> |



**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | <b>County Welfare<br/>Administration</b> | <b>State Gaming<br/>Fund</b> | <b>State and<br/>Federal Welfare<br/>Assistance</b> | <b>Medicaid<br/>Administration</b> |
|-----------------------------------------------------|------------------------------------------|------------------------------|-----------------------------------------------------|------------------------------------|
| <b>Assets:</b>                                      |                                          |                              |                                                     |                                    |
| Cash, cash equivalents and investments-unrestricted | \$ 1,402                                 | \$ 22,080                    | \$ 34,320                                           | \$ -                               |
| Securities lending collateral                       | -                                        | -                            | 3,300                                               | -                                  |
| Receivables:                                        |                                          |                              |                                                     |                                    |
| Taxes (net of allowance for uncollectible accounts) | -                                        | 12,621                       | -                                                   | -                                  |
| Securities lending                                  | -                                        | -                            | 8                                                   | -                                  |
| Accounts                                            | -                                        | -                            | -                                                   | -                                  |
| Grants                                              | -                                        | -                            | 9,833                                               | 9,176                              |
| Interest                                            | -                                        | -                            | 2                                                   | -                                  |
| Due from component unit                             | -                                        | -                            | -                                                   | -                                  |
| Prepaid expenditures                                | -                                        | -                            | -                                                   | -                                  |
| Loans                                               | -                                        | -                            | -                                                   | -                                  |
| <b>Total assets</b>                                 | <b>\$ 1,402</b>                          | <b>\$ 34,701</b>             | <b>\$ 47,463</b>                                    | <b>\$ 9,176</b>                    |
| <b>Liabilities:</b>                                 |                                          |                              |                                                     |                                    |
| Accounts payable                                    | \$ 3,108                                 | \$ 8                         | \$ 2,127                                            | \$ 5,519                           |
| Salaries and benefits payable                       | 2,479                                    | 138                          | 165                                                 | -                                  |
| Interfund loans                                     | -                                        | -                            | -                                                   | 639                                |
| Interfund services used                             | 111                                      | -                            | 28                                                  | -                                  |
| Intergovernmental payable                           | -                                        | 369                          | -                                                   | -                                  |
| Tax refunds payable                                 | -                                        | -                            | -                                                   | -                                  |
| Deferred revenue                                    | -                                        | -                            | -                                                   | -                                  |
| Accrued liability for compensated absences-current  | 183                                      | 15                           | 17                                                  | -                                  |
| Pollution remediation payable                       | -                                        | -                            | -                                                   | -                                  |
| Securities lending payable                          | -                                        | -                            | 8                                                   | -                                  |
| Securities lending collateral                       | -                                        | -                            | 3,300                                               | -                                  |
| <b>Total liabilities</b>                            | <b>5,881</b>                             | <b>530</b>                   | <b>5,645</b>                                        | <b>6,158</b>                       |
| <b>Fund balance:</b>                                |                                          |                              |                                                     |                                    |
| Reserved:                                           |                                          |                              |                                                     |                                    |
| Encumbrances                                        | 412                                      | 321                          | 2                                                   | -                                  |
| Special purposes                                    | -                                        | -                            | -                                                   | -                                  |
| Tuition support                                     | -                                        | -                            | -                                                   | -                                  |
| Reserved for long-term loans and advances           | -                                        | -                            | -                                                   | -                                  |
| Reserved for restricted purposes                    | -                                        | -                            | 9,833                                               | 9,176                              |
| Unreserved:                                         |                                          |                              |                                                     |                                    |
| Designated for Appropriations                       | -                                        | 18,951                       | 67                                                  | -                                  |
| Designated for Allotments                           | -                                        | 10                           | 31,916                                              | -                                  |
| Unreserved Undesignated fund balance                | (4,891)                                  | 14,889                       | -                                                   | (6,158)                            |
| <b>Unreserved</b>                                   | <b>(4,891)</b>                           | <b>33,850</b>                | <b>31,983</b>                                       | <b>(6,158)</b>                     |
| <b>Total fund balances</b>                          | <b>(4,479)</b>                           | <b>34,171</b>                | <b>41,818</b>                                       | <b>3,018</b>                       |
| <b>Total liabilities and fund balances</b>          | <b>\$ 1,402</b>                          | <b>\$ 34,701</b>             | <b>\$ 47,463</b>                                    | <b>\$ 9,176</b>                    |

| Bureau of Motor<br>Vehicles<br>Commission | Health and<br>Environmental<br>Programs | National School<br>Lunch | Build Indiana<br>Fund | Property Tax<br>Reduction Fund |
|-------------------------------------------|-----------------------------------------|--------------------------|-----------------------|--------------------------------|
| \$ 26,429                                 | \$ 2,728                                | \$ 779                   | \$ 3,767              | \$ -                           |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| 303                                       | -                                       | -                        | -                     | -                              |
| -                                         | 4,632                                   | 5,272                    | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | 32,057                | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | 9                     | -                              |
| <u>\$ 26,732</u>                          | <u>\$ 7,360</u>                         | <u>\$ 6,051</u>          | <u>\$ 35,833</u>      | <u>\$ -</u>                    |
| \$ 1,704                                  | \$ 2,635                                | \$ -                     | \$ 2                  | \$ -                           |
| 3,448                                     | 1,454                                   | -                        | -                     | -                              |
| 39,913                                    | -                                       | -                        | -                     | -                              |
| 3                                         | 1,269                                   | -                        | -                     | -                              |
| -                                         | -                                       | 5,272                    | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | 237                                     | 779                      | -                     | -                              |
| 239                                       | 132                                     | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| <u>45,307</u>                             | <u>5,727</u>                            | <u>6,051</u>             | <u>2</u>              | <u>-</u>                       |
| 562                                       | 31,565                                  | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| -                                         | -                                       | -                        | 9                     | -                              |
| -                                         | 4,632                                   | -                        | -                     | -                              |
| -                                         | -                                       | -                        | 35,822                | -                              |
| -                                         | -                                       | -                        | -                     | -                              |
| (19,137)                                  | (34,564)                                | -                        | -                     | -                              |
| <u>(19,137)</u>                           | <u>(34,564)</u>                         | <u>-</u>                 | <u>35,822</u>         | <u>-</u>                       |
| (18,575)                                  | 1,633                                   | -                        | 35,831                | -                              |
| <u>\$ 26,732</u>                          | <u>\$ 7,360</u>                         | <u>\$ 6,051</u>          | <u>\$ 35,833</u>      | <u>\$ -</u>                    |

continued on next page

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Special Revenue Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Indiana Check-<br>Up Plan | Patients<br>Compensation | Primary Road<br>and Street | Federal Food<br>Stamp<br>Program | Medicaid<br>Indigent Care<br>Trust |
|-----------------------------------------------------|---------------------------|--------------------------|----------------------------|----------------------------------|------------------------------------|
| <b>Assets:</b>                                      |                           |                          |                            |                                  |                                    |
| Cash, cash equivalents and investments-unrestricted | \$ 188,700                | \$ 243,780               | \$ 4,551                   | \$ -                             | \$ 102,996                         |
| Securities lending collateral                       | -                         | -                        | -                          | -                                | -                                  |
| Receivables:                                        |                           |                          |                            |                                  |                                    |
| Taxes (net of allowance for uncollectible accounts) | 13,535                    | -                        | 8,366                      | -                                | -                                  |
| Securities lending                                  | -                         | 212                      | -                          | -                                | -                                  |
| Accounts                                            | -                         | 220                      | -                          | -                                | -                                  |
| Grants                                              | -                         | -                        | -                          | -                                | -                                  |
| Interest                                            | -                         | -                        | -                          | -                                | -                                  |
| Due from component unit                             | -                         | -                        | -                          | -                                | -                                  |
| Prepaid expenditures                                | -                         | -                        | -                          | -                                | -                                  |
| Loans                                               | -                         | -                        | -                          | -                                | -                                  |
| <b>Total assets</b>                                 | <u>\$ 202,235</u>         | <u>\$ 244,212</u>        | <u>\$ 12,917</u>           | <u>\$ -</u>                      | <u>\$ 102,996</u>                  |
| <b>Liabilities:</b>                                 |                           |                          |                            |                                  |                                    |
| Accounts payable                                    | \$ 443                    | \$ 54,387                | \$ -                       | \$ 286                           | \$ -                               |
| Salaries and benefits payable                       | 12                        | 21                       | -                          | -                                | -                                  |
| Interfund loans                                     | -                         | -                        | -                          | 7,973                            | -                                  |
| Interfunds services used                            | -                         | 2                        | -                          | -                                | -                                  |
| Intergovernmental payable                           | -                         | -                        | 6,438                      | -                                | -                                  |
| Tax refunds payable                                 | -                         | -                        | -                          | -                                | -                                  |
| Deferred revenue                                    | 193                       | -                        | 4,324                      | -                                | -                                  |
| Accrued liability for compensated absences-current  | 1                         | -                        | -                          | -                                | -                                  |
| Pollution remediation payable                       | -                         | -                        | -                          | -                                | -                                  |
| Securities lending payable                          | -                         | 212                      | -                          | -                                | -                                  |
| Securities lending collateral                       | -                         | -                        | -                          | -                                | -                                  |
| <b>Total liabilities</b>                            | <u>649</u>                | <u>54,622</u>            | <u>10,762</u>              | <u>8,259</u>                     | <u>-</u>                           |
| <b>Fund balance:</b>                                |                           |                          |                            |                                  |                                    |
| Reserved:                                           |                           |                          |                            |                                  |                                    |
| Encumbrances                                        | -                         | -                        | -                          | -                                | -                                  |
| Special purposes                                    | -                         | -                        | -                          | -                                | -                                  |
| Tuition support                                     | -                         | -                        | -                          | -                                | -                                  |
| Reserved for long-term loans and advances           | -                         | -                        | -                          | -                                | -                                  |
| Reserved for restricted purposes                    | -                         | -                        | -                          | -                                | -                                  |
| Unreserved:                                         |                           |                          |                            |                                  |                                    |
| Designated for Appropriations                       | 201,386                   | -                        | -                          | -                                | -                                  |
| Designated for Allotments                           | -                         | 189,590                  | 2,155                      | -                                | 102,996                            |
| Unreserved Undesignated fund balance                | 200                       | -                        | -                          | (8,259)                          | -                                  |
| <b>Unreserved</b>                                   | <u>201,586</u>            | <u>189,590</u>           | <u>2,155</u>               | <u>(8,259)</u>                   | <u>102,996</u>                     |
| <b>Total fund balances</b>                          | <u>201,586</u>            | <u>189,590</u>           | <u>2,155</u>               | <u>(8,259)</u>                   | <u>102,996</u>                     |
| <b>Total liabilities and fund balances</b>          | <u>\$ 202,235</u>         | <u>\$ 244,212</u>        | <u>\$ 12,917</u>           | <u>\$ -</u>                      | <u>\$ 102,996</u>                  |

| Fund 6000<br>Programs | Tobacco<br>Settlement | State Tuition<br>Reserve Fund | Other Non-Major<br>Special Revenue<br>Funds | Total               |
|-----------------------|-----------------------|-------------------------------|---------------------------------------------|---------------------|
| \$ 391,828            | \$ 161,161            | \$ 941,719                    | \$ 663,864                                  | \$ 2,790,104        |
| 62,903                | 70,000                | -                             | 94,650                                      | 230,853             |
| 85,473                | -                     | -                             | 71,126                                      | 191,121             |
| 343                   | 278                   | -                             | 297                                         | 1,138               |
| 27,803                | -                     | -                             | 15,488                                      | 43,814              |
| 87,932                | -                     | -                             | 61,816                                      | 178,661             |
| 22                    | -                     | -                             | 66                                          | 90                  |
| -                     | -                     | -                             | -                                           | 32,057              |
| 1                     | -                     | -                             | 7                                           | 8                   |
| 2,487                 | -                     | -                             | 8,769                                       | 11,265              |
| <u>\$ 658,792</u>     | <u>\$ 231,439</u>     | <u>\$ 941,719</u>             | <u>\$ 916,083</u>                           | <u>\$ 3,479,111</u> |
| \$ 44,966             | \$ 2,908              | \$ -                          | \$ 80,904                                   | \$ 198,997          |
| 2,759                 | 115                   | -                             | 21,654                                      | 32,245              |
| -                     | -                     | -                             | -                                           | 48,525              |
| 1,011                 | 1                     | -                             | 3,740                                       | 6,165               |
| 37,973                | -                     | -                             | 4,464                                       | 54,516              |
| 4,153                 | -                     | -                             | 1                                           | 4,154               |
| 35,846                | -                     | -                             | 16,365                                      | 57,744              |
| 154                   | 4                     | -                             | 1,575                                       | 2,320               |
| -                     | -                     | -                             | 212                                         | 212                 |
| 343                   | 278                   | -                             | 297                                         | 1,138               |
| 62,903                | 70,000                | -                             | 94,650                                      | 230,853             |
| <u>190,108</u>        | <u>73,306</u>         | <u>-</u>                      | <u>223,862</u>                              | <u>636,869</u>      |
| 47,621                | 19,387                | -                             | 92,572                                      | 192,442             |
| -                     | -                     | -                             | 4,768                                       | 4,768               |
| -                     | -                     | 941,719                       | -                                           | 941,719             |
| 2,344                 | -                     | -                             | 8,525                                       | 10,878              |
| 53,595                | -                     | -                             | 59,635                                      | 136,871             |
| 63,832                | 138,746               | -                             | 253,486                                     | 712,290             |
| 301,292               | -                     | -                             | -                                           | 627,959             |
| -                     | -                     | -                             | 273,235                                     | 215,315             |
| <u>365,124</u>        | <u>138,746</u>        | <u>-</u>                      | <u>526,721</u>                              | <u>1,555,564</u>    |
| 468,684               | 158,133               | 941,719                       | 692,221                                     | 2,842,242           |
| <u>\$ 658,792</u>     | <u>\$ 231,439</u>     | <u>\$ 941,719</u>             | <u>\$ 916,083</u>                           | <u>\$ 3,479,111</u> |

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <u>County Welfare<br/>Administration</u> | <u>State Gaming<br/>Fund</u> | <u>State and<br/>Federal Welfare<br/>Assistance</u> | <u>Medicaid<br/>Administration</u> |
|---------------------------------------------------|------------------------------------------|------------------------------|-----------------------------------------------------|------------------------------------|
| <b>Revenues:</b>                                  |                                          |                              |                                                     |                                    |
| Taxes:                                            |                                          |                              |                                                     |                                    |
| Income                                            | \$ -                                     | \$ -                         | \$ -                                                | \$ -                               |
| Sales                                             | -                                        | -                            | -                                                   | -                                  |
| Fuels                                             | -                                        | -                            | -                                                   | -                                  |
| Gaming                                            | -                                        | 796,733                      | -                                                   | -                                  |
| Alcohol and tobacco                               | -                                        | -                            | -                                                   | -                                  |
| Insurance                                         | -                                        | -                            | -                                                   | -                                  |
| Financial Institutions                            | -                                        | -                            | -                                                   | -                                  |
| Other                                             | -                                        | -                            | 5,654                                               | -                                  |
| Total taxes                                       | -                                        | 796,733                      | 5,654                                               | -                                  |
| Current service charges                           | -                                        | 1,681                        | 739                                                 | -                                  |
| Investment income                                 | -                                        | -                            | 138                                                 | -                                  |
| Sales/rents                                       | -                                        | -                            | -                                                   | -                                  |
| Grants                                            | 57                                       | 9                            | 374,097                                             | 231,065                            |
| Other                                             | 7                                        | 233                          | -                                                   | -                                  |
|                                                   | <u>64</u>                                | <u>798,656</u>               | <u>380,628</u>                                      | <u>231,065</u>                     |
| Total revenues                                    | 64                                       | 798,656                      | 380,628                                             | 231,065                            |
| <b>Expenditures:</b>                              |                                          |                              |                                                     |                                    |
| Current:                                          |                                          |                              |                                                     |                                    |
| General government                                | -                                        | 140,057                      | -                                                   | -                                  |
| Public safety                                     | -                                        | -                            | -                                                   | -                                  |
| Health                                            | -                                        | -                            | -                                                   | -                                  |
| Welfare                                           | 40,242                                   | -                            | 425,408                                             | 293,964                            |
| Conservation, culture and development             | 3,107                                    | -                            | -                                                   | -                                  |
| Education                                         | -                                        | -                            | -                                                   | -                                  |
| Transportation                                    | -                                        | -                            | -                                                   | -                                  |
|                                                   | <u>43,349</u>                            | <u>140,057</u>               | <u>425,408</u>                                      | <u>293,964</u>                     |
| Total expenditures                                | 43,349                                   | 140,057                      | 425,408                                             | 293,964                            |
| Excess (deficiency) of revenues over expenditures | (43,285)                                 | 658,599                      | (44,780)                                            | (62,899)                           |
| <b>Other financing sources (uses):</b>            |                                          |                              |                                                     |                                    |
| Transfers in                                      | 144,482                                  | 933                          | 88,168                                              | 130,411                            |
| Transfers (out)                                   | (100,111)                                | (656,328)                    | (90,640)                                            | (64,144)                           |
| Proceeds from capital lease                       | -                                        | -                            | -                                                   | -                                  |
|                                                   | <u>44,371</u>                            | <u>(655,395)</u>             | <u>(2,472)</u>                                      | <u>66,267</u>                      |
| Total other financing sources (uses)              | 44,371                                   | (655,395)                    | (2,472)                                             | 66,267                             |
| <b>Net change in fund balances</b>                | 1,086                                    | 3,204                        | (47,252)                                            | 3,368                              |
| <b>Fund Balance July 1, as restated</b>           | <u>(5,565)</u>                           | <u>30,967</u>                | <u>89,070</u>                                       | <u>(350)</u>                       |
| <b>Fund Balance June 30</b>                       | <u><u>\$ (4,479)</u></u>                 | <u><u>\$ 34,171</u></u>      | <u><u>\$ 41,818</u></u>                             | <u><u>\$ 3,018</u></u>             |

| <u>Bureau of Motor<br/>Vehicles<br/>Commission</u> | <u>Health and<br/>Environmental<br/>Programs</u> | <u>National School<br/>Lunch</u> | <u>Build Indiana<br/>Fund</u> | <u>Property Tax<br/>Reduction Fund</u> |
|----------------------------------------------------|--------------------------------------------------|----------------------------------|-------------------------------|----------------------------------------|
| \$ -                                               | \$ -                                             | \$ -                             | \$ -                          | \$ -                                   |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| 82,168                                             | 24                                               | -                                | 119,751                       | 200,000                                |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | 6                                                | -                                | -                             | -                                      |
| 350                                                | 184,398                                          | 226,033                          | -                             | -                                      |
| 3,274                                              | 43,228                                           | -                                | -                             | 2,760                                  |
| <u>85,792</u>                                      | <u>227,656</u>                                   | <u>226,033</u>                   | <u>119,751</u>                | <u>202,760</u>                         |
| -                                                  | -                                                | -                                | 2,026                         | 130,776                                |
| 78,458                                             | -                                                | -                                | -                             | -                                      |
| -                                                  | 209,686                                          | -                                | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| -                                                  | 41,229                                           | -                                | 1,004                         | -                                      |
| -                                                  | -                                                | 225,848                          | -                             | -                                      |
| -                                                  | -                                                | -                                | -                             | -                                      |
| <u>78,458</u>                                      | <u>250,915</u>                                   | <u>225,848</u>                   | <u>3,030</u>                  | <u>130,776</u>                         |
| <u>7,334</u>                                       | <u>(23,259)</u>                                  | <u>185</u>                       | <u>116,721</u>                | <u>71,984</u>                          |
| 313                                                | 30,632                                           | -                                | 126,557                       | 44,280                                 |
| (13,097)                                           | (7,131)                                          | (185)                            | (285,212)                     | (15,572)                               |
| -                                                  | -                                                | -                                | -                             | -                                      |
| <u>(12,784)</u>                                    | <u>23,501</u>                                    | <u>(185)</u>                     | <u>(158,655)</u>              | <u>28,708</u>                          |
| (5,450)                                            | 242                                              | -                                | (41,934)                      | 100,692                                |
| <u>(13,125)</u>                                    | <u>1,391</u>                                     | <u>-</u>                         | <u>77,765</u>                 | <u>(100,692)</u>                       |
| <u>\$ (18,575)</u>                                 | <u>\$ 1,633</u>                                  | <u>\$ -</u>                      | <u>\$ 35,831</u>              | <u>\$ -</u>                            |

continued on next page

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <b>Indiana Check-<br/>Up Plan</b> | <b>Patients<br/>Compensation</b> | <b>Primary Road<br/>and Street</b> | <b>Federal Food<br/>Stamp Program</b> |
|---------------------------------------------------|-----------------------------------|----------------------------------|------------------------------------|---------------------------------------|
| <b>Revenues:</b>                                  |                                   |                                  |                                    |                                       |
| Taxes:                                            |                                   |                                  |                                    |                                       |
| Income                                            | \$ -                              | \$ -                             | \$ -                               | \$ -                                  |
| Sales                                             | -                                 | -                                | -                                  | -                                     |
| Fuels                                             | -                                 | -                                | 156,347                            | -                                     |
| Gaming                                            | -                                 | -                                | -                                  | -                                     |
| Alcohol and tobacco                               | 138,240                           | -                                | -                                  | -                                     |
| Insurance                                         | -                                 | -                                | -                                  | -                                     |
| Financial Institutions                            | -                                 | -                                | -                                  | -                                     |
| Other                                             | -                                 | -                                | 4,854                              | -                                     |
| Total taxes                                       | 138,240                           | -                                | 161,201                            | -                                     |
| Current service charges                           | -                                 | 126,385                          | 17,006                             | -                                     |
| Investment income                                 | -                                 | 2,210                            | -                                  | -                                     |
| Sales/rents                                       | -                                 | -                                | -                                  | -                                     |
| Grants                                            | -                                 | 2                                | -                                  | 1,042,255                             |
| Other                                             | -                                 | -                                | -                                  | 24                                    |
| Total revenues                                    | 138,240                           | 128,597                          | 178,207                            | 1,042,279                             |
| <b>Expenditures:</b>                              |                                   |                                  |                                    |                                       |
| Current:                                          |                                   |                                  |                                    |                                       |
| General government                                | -                                 | 620                              | 73,353                             | -                                     |
| Public safety                                     | -                                 | 107,057                          | -                                  | -                                     |
| Health                                            | 10,748                            | -                                | -                                  | -                                     |
| Welfare                                           | 14,583                            | -                                | -                                  | 1,059,909                             |
| Conservation, culture and development             | -                                 | -                                | -                                  | -                                     |
| Education                                         | -                                 | -                                | -                                  | -                                     |
| Transportation                                    | -                                 | -                                | -                                  | -                                     |
| Total expenditures                                | 25,331                            | 107,677                          | 73,353                             | 1,059,909                             |
| Excess (deficiency) of revenues over expenditures | 112,909                           | 20,920                           | 104,854                            | (17,630)                              |
| <b>Other financing sources (uses):</b>            |                                   |                                  |                                    |                                       |
| Transfers in                                      | 629                               | 3                                | 40,971                             | 56,531                                |
| Transfers (out)                                   | (42,327)                          | (188)                            | (145,668)                          | (37,110)                              |
| Proceeds from capital lease                       | -                                 | -                                | -                                  | -                                     |
| Total other financing sources (uses)              | (41,698)                          | (185)                            | (104,697)                          | 19,421                                |
| <b>Net change in fund balances</b>                | 71,211                            | 20,735                           | 157                                | 1,791                                 |
| <b>Fund Balance July 1, as restated</b>           | 130,375                           | 168,855                          | 1,998                              | (10,050)                              |
| <b>Fund Balance June 30</b>                       | <b>\$ 201,586</b>                 | <b>\$ 189,590</b>                | <b>\$ 2,155</b>                    | <b>\$ (8,259)</b>                     |

| Medicaid<br>Indigent Care<br>Trust | Fund 6000<br>Programs | Tobacco<br>Settlement | State Tuition<br>Reserve Fund | Other Non-Major<br>Special Revenue<br>Funds | Total               |
|------------------------------------|-----------------------|-----------------------|-------------------------------|---------------------------------------------|---------------------|
| \$ -                               | \$ 139,210            | \$ -                  | \$ -                          | \$ -                                        | \$ 139,210          |
| -                                  | 98,123                | -                     | -                             | 47,869                                      | 145,992             |
| -                                  | 27,902                | -                     | -                             | 143,248                                     | 327,497             |
| -                                  | 48                    | -                     | -                             | -                                           | 796,781             |
| -                                  | 9,518                 | -                     | -                             | 39,308                                      | 187,066             |
| -                                  | 4,396                 | -                     | -                             | -                                           | 4,396               |
| -                                  | 16,025                | -                     | -                             | -                                           | 16,025              |
| -                                  | 171,165               | -                     | -                             | 93,608                                      | 275,281             |
| -                                  | 466,387               | -                     | -                             | 324,033                                     | 1,892,248           |
| -                                  | 109,020               | 160,954               | -                             | 265,796                                     | 1,083,524           |
| 645                                | 1,924                 | 2,323                 | -                             | 3,363                                       | 10,603              |
| -                                  | 1,647                 | -                     | -                             | 14,666                                      | 16,319              |
| 11,041                             | 1,161,093             | 5                     | -                             | 604,324                                     | 3,834,729           |
| 13,542                             | 323,878               | 1,263                 | -                             | 57,737                                      | 445,946             |
| 25,228                             | 2,063,949             | 164,545               | -                             | 1,269,919                                   | 7,283,369           |
| 268                                | 438,398               | 16,128                | -                             | 83,744                                      | 885,370             |
| -                                  | 239,063               | -                     | -                             | 120,448                                     | 545,026             |
| -                                  | 6,983                 | 48,725                | -                             | 30,030                                      | 306,172             |
| -                                  | 217,632               | 1,087                 | -                             | 828,030                                     | 2,880,855           |
| -                                  | 179,178               | 136                   | -                             | 348,314                                     | 572,968             |
| -                                  | 651,772               | -                     | -                             | 310,459                                     | 1,188,079           |
| -                                  | 1,768                 | -                     | -                             | 218,121                                     | 219,889             |
| 268                                | 1,734,794             | 66,076                | -                             | 1,939,146                                   | 6,598,359           |
| 24,960                             | 329,155               | 98,469                | -                             | (669,227)                                   | 685,010             |
| 83,033                             | 240,412               | 5,675                 | 941,719                       | 1,207,182                                   | 3,141,931           |
| (55,694)                           | (583,032)             | (83,924)              | -                             | (641,824)                                   | (2,822,187)         |
| -                                  | -                     | -                     | -                             | 127                                         | 127                 |
| 27,339                             | (342,620)             | (78,249)              | 941,719                       | 565,485                                     | 319,871             |
| 52,299                             | (13,465)              | 20,220                | 941,719                       | (103,742)                                   | 1,004,881           |
| 50,697                             | 482,149               | 137,913               | -                             | 795,963                                     | 1,837,361           |
| <b>\$ 102,996</b>                  | <b>\$ 468,684</b>     | <b>\$ 158,133</b>     | <b>\$ 941,719</b>             | <b>\$ 692,221</b>                           | <b>\$ 2,842,242</b> |



**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Capital Projects Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | <b>Army National<br/>Guard<br/>Construction</b> | <b>Post War<br/>Construction</b> | <b>Other Non-Major<br/>Capital Projects<br/>Funds</b> | <b>Total</b>      |
|-----------------------------------------------------|-------------------------------------------------|----------------------------------|-------------------------------------------------------|-------------------|
| <b>Assets:</b>                                      |                                                 |                                  |                                                       |                   |
| Cash, cash equivalents and investments-unrestricted | \$ -                                            | \$ 81,225                        | \$ 16,010                                             | \$ 97,235         |
| Receivables:                                        |                                                 |                                  | -                                                     |                   |
| Taxes (net of allowance for uncollectible accounts) | -                                               | 1,826                            | -                                                     | 1,826             |
| Grants                                              | 7,709                                           | -                                | -                                                     | 7,709             |
| <b>Total assets</b>                                 | <b>\$ 7,709</b>                                 | <b>\$ 83,051</b>                 | <b>\$ 16,010</b>                                      | <b>\$ 106,770</b> |
| <b>Liabilities:</b>                                 |                                                 |                                  |                                                       |                   |
| Accounts payable                                    | \$ 1,129                                        | \$ 192                           | \$ 119                                                | \$ 1,440          |
| Salaries and benefits payable                       | 50                                              | -                                | -                                                     | 50                |
| Interfund loans                                     | 4,946                                           | -                                | -                                                     | 4,946             |
| Deferred revenue                                    | -                                               | 8                                | -                                                     | 8                 |
| Accrued liability for compensated absences-current  | 3                                               | -                                | -                                                     | 3                 |
| <b>Total liabilities</b>                            | <b>6,128</b>                                    | <b>200</b>                       | <b>119</b>                                            | <b>6,447</b>      |
| <b>Fund balance:</b>                                |                                                 |                                  |                                                       |                   |
| Reserved:                                           |                                                 |                                  |                                                       |                   |
| Encumbrances                                        | -                                               | 4,073                            | 3,073                                                 | 7,146             |
| Reserved for restricted purposes                    | 7,709                                           | -                                | -                                                     | 7,709             |
| Unreserved                                          | (6,128)                                         | 78,778                           | 12,818                                                | 85,468            |
| <b>Total fund balances</b>                          | <b>1,581</b>                                    | <b>82,851</b>                    | <b>15,891</b>                                         | <b>100,323</b>    |
| <b>Total liabilities and fund balances</b>          | <b>\$ 7,709</b>                                 | <b>\$ 83,051</b>                 | <b>\$ 16,010</b>                                      | <b>\$ 106,770</b> |

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Capital Projects Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <b>Army National<br/>Guard<br/>Construction</b> | <b>Post War<br/>Construction</b> | <b>Other Non-Major<br/>Capital Projects<br/>Funds</b> | <b>Total</b>      |
|---------------------------------------------------|-------------------------------------------------|----------------------------------|-------------------------------------------------------|-------------------|
| <b>Revenues:</b>                                  |                                                 |                                  |                                                       |                   |
| Taxes:                                            |                                                 |                                  |                                                       |                   |
| Alcohol and tobacco                               | -                                               | 18,049                           | -                                                     | <b>18,049</b>     |
| Total taxes                                       | -                                               | 18,049                           | -                                                     | <b>18,049</b>     |
| Current service charges                           | 2                                               | -                                | 1,708                                                 | <b>1,710</b>      |
| Grants                                            | 24,190                                          | -                                | 868                                                   | <b>25,058</b>     |
| Other                                             | -                                               | -                                | 79                                                    | <b>79</b>         |
| Total revenues                                    | <b>24,192</b>                                   | <b>18,049</b>                    | <b>2,655</b>                                          | <b>44,896</b>     |
| <b>Expenditures:</b>                              |                                                 |                                  |                                                       |                   |
| Current:                                          |                                                 |                                  |                                                       |                   |
| General government                                | -                                               | 130                              | 2,339                                                 | <b>2,469</b>      |
| Public safety                                     | 22,269                                          | 11,519                           | 2,916                                                 | <b>36,704</b>     |
| Health                                            | -                                               | 62                               | 23                                                    | <b>85</b>         |
| Welfare                                           | -                                               | 103                              | -                                                     | <b>103</b>        |
| Total expenditures                                | <b>22,269</b>                                   | <b>11,814</b>                    | <b>5,278</b>                                          | <b>39,361</b>     |
| Excess (deficiency) of revenues over expenditures | <b>1,923</b>                                    | <b>6,235</b>                     | <b>(2,623)</b>                                        | <b>5,535</b>      |
| <b>Other financing sources (uses):</b>            |                                                 |                                  |                                                       |                   |
| Transfers in                                      | 59                                              | 756                              | 630                                                   | <b>1,445</b>      |
| Transfers (out)                                   | (56)                                            | (169)                            | (519)                                                 | <b>(744)</b>      |
| Total other financing sources (uses)              | <b>3</b>                                        | <b>587</b>                       | <b>111</b>                                            | <b>701</b>        |
| <b>Net change in fund balances</b>                | <b>1,926</b>                                    | <b>6,822</b>                     | <b>(2,512)</b>                                        | <b>6,236</b>      |
| <b>Fund Balance July 1, as restated</b>           | <b>(345)</b>                                    | <b>76,029</b>                    | <b>18,403</b>                                         | <b>94,087</b>     |
| <b>Fund Balance June 30</b>                       | <b>\$ 1,581</b>                                 | <b>\$ 82,851</b>                 | <b>\$ 15,891</b>                                      | <b>\$ 100,323</b> |

**State of Indiana**  
**Combining Balance Sheet**  
**Non-Major Permanent Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | <u>Common<br/>School, Principal</u> | <u>Next Generation<br/>Trust Fund</u> | <u>Other Non-Major<br/>Permanent Funds</u> | <u>Total</u>        |
|-----------------------------------------------------|-------------------------------------|---------------------------------------|--------------------------------------------|---------------------|
| <b>Assets:</b>                                      |                                     |                                       |                                            |                     |
| Cash, cash equivalents and investments-unrestricted | \$ 101,928                          | \$ 539,485                            | \$ 5,262                                   | \$ 646,675          |
| Securities lending collateral                       | -                                   | 70,088                                | -                                          | 70,088              |
| Receivables:                                        |                                     |                                       |                                            |                     |
| Securities lending                                  | -                                   | 317                                   | -                                          | 317                 |
| Interest                                            | -                                   | 6                                     | -                                          | 6                   |
| Loans                                               | 448,294                             | -                                     | 159                                        | 448,453             |
|                                                     | <u>448,294</u>                      | <u>-</u>                              | <u>159</u>                                 | <u>448,453</u>      |
| Total assets                                        | <u>\$ 550,222</u>                   | <u>\$ 609,896</u>                     | <u>\$ 5,421</u>                            | <u>\$ 1,165,539</u> |
| <b>Liabilities:</b>                                 |                                     |                                       |                                            |                     |
| Accounts payable                                    | \$ -                                | \$ -                                  | \$ 270                                     | \$ 270              |
| Securities lending payable                          | -                                   | 317                                   | -                                          | 317                 |
| Securities lending collateral                       | -                                   | 70,088                                | -                                          | 70,088              |
|                                                     | <u>-</u>                            | <u>70,088</u>                         | <u>-</u>                                   | <u>70,088</u>       |
| Total liabilities                                   | <u>-</u>                            | <u>70,405</u>                         | <u>270</u>                                 | <u>70,675</u>       |
| <b>Fund balance:</b>                                |                                     |                                       |                                            |                     |
| Reserved:                                           |                                     |                                       |                                            |                     |
| Reserved for long-term loans and advances           | 433,201                             | -                                     | 159                                        | 433,360             |
| Unreserved                                          | 117,021                             | 539,491                               | 4,992                                      | 661,504             |
|                                                     | <u>117,021</u>                      | <u>539,491</u>                        | <u>4,992</u>                               | <u>661,504</u>      |
| Total fund balances                                 | <u>550,222</u>                      | <u>539,491</u>                        | <u>5,151</u>                               | <u>1,094,864</u>    |
| <b>Total liabilities and fund balances</b>          | <u>\$ 550,222</u>                   | <u>\$ 609,896</u>                     | <u>\$ 5,421</u>                            | <u>\$ 1,165,539</u> |

**State of Indiana**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Non-Major Permanent Funds**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                   | <b>Common<br/>School, Principal</b> | <b>Next Generation<br/>Trust Fund</b> | <b>Other Non-Major<br/>Permanent<br/>Funds</b> | <b>Total</b>        |
|---------------------------------------------------|-------------------------------------|---------------------------------------|------------------------------------------------|---------------------|
| <b>Revenues:</b>                                  |                                     |                                       |                                                |                     |
| Current service charges                           | \$ 6,855                            | \$ -                                  | \$ -                                           | \$ 6,855            |
| Investment income                                 | 173                                 | (10,499)                              | 33                                             | (10,293)            |
| Other                                             | -                                   | -                                     | 755                                            | 755                 |
|                                                   | <u>7,028</u>                        | <u>(10,499)</u>                       | <u>788</u>                                     | <u>(2,683)</u>      |
| Total revenues                                    |                                     |                                       |                                                |                     |
|                                                   | <u>7,028</u>                        | <u>(10,499)</u>                       | <u>788</u>                                     | <u>(2,683)</u>      |
| <b>Expenditures:</b>                              |                                     |                                       |                                                |                     |
| Current:                                          |                                     |                                       |                                                |                     |
| General government                                | 1,129                               | 1,030                                 | 400                                            | 2,559               |
|                                                   | <u>1,129</u>                        | <u>1,030</u>                          | <u>400</u>                                     | <u>2,559</u>        |
| Total expenditures                                |                                     |                                       |                                                |                     |
|                                                   | <u>1,129</u>                        | <u>1,030</u>                          | <u>400</u>                                     | <u>2,559</u>        |
| Excess (deficiency) of revenues over expenditures | 5,899                               | (11,529)                              | 388                                            | (5,242)             |
| <b>Net change in fund balances</b>                | 5,899                               | (11,529)                              | 388                                            | (5,242)             |
| <b>Fund Balance July 1, as restated</b>           | 544,323                             | 551,020                               | 4,763                                          | 1,100,106           |
|                                                   | <u>544,323</u>                      | <u>551,020</u>                        | <u>4,763</u>                                   | <u>1,100,106</u>    |
| <b>Fund Balance June 30</b>                       | <u>\$ 550,222</u>                   | <u>\$ 539,491</u>                     | <u>\$ 5,151</u>                                | <u>\$ 1,094,864</u> |

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | COUNTY WELFARE ADMINISTRATION |                 |                        |                             |
|----------------------------------------------|-------------------------------|-----------------|------------------------|-----------------------------|
|                                              | Budget                        |                 | Actual                 | Variance to<br>Final Budget |
|                                              | Original                      | Final           |                        |                             |
| <b>Revenues:</b>                             |                               |                 |                        |                             |
| Taxes:                                       |                               |                 |                        |                             |
| Income                                       | \$ -                          | \$ -            | \$ -                   | \$ -                        |
| Sales                                        | -                             | -               | -                      | -                           |
| Fuels                                        | -                             | -               | -                      | -                           |
| Gaming                                       | -                             | -               | -                      | -                           |
| Alcohol and tobacco                          | -                             | -               | -                      | -                           |
| Insurance                                    | -                             | -               | -                      | -                           |
| Financial institutions                       | -                             | -               | -                      | -                           |
| Other                                        | -                             | -               | -                      | -                           |
| Total taxes                                  | -                             | -               | -                      | -                           |
| Current service charges                      | -                             | -               | -                      | -                           |
| Investment income                            | -                             | -               | -                      | -                           |
| Sales/rents                                  | -                             | -               | -                      | -                           |
| Grants                                       | 7                             | 7               | 57                     | 50                          |
| Other                                        | 10                            | 10              | 7                      | (3)                         |
| Total revenues                               | 17                            | 17              | 64                     | 47                          |
| <b>Expenditures:</b>                         |                               |                 |                        |                             |
| Current:                                     |                               |                 |                        |                             |
| General government                           | -                             | -               | -                      | -                           |
| Public safety                                | -                             | -               | -                      | -                           |
| Health                                       | -                             | -               | -                      | -                           |
| Welfare                                      | -                             | 42,258          | 41,269                 | 989                         |
| Conservation, culture and development        | -                             | -               | -                      | -                           |
| Education                                    | -                             | -               | -                      | -                           |
| Transportation                               | -                             | -               | -                      | -                           |
| Total expenditures                           | -                             | 42,258          | 41,269                 | 989                         |
| Excess of revenues over (under) expenditures | 17                            | (42,241)        | (41,205)               | (1,036)                     |
| <b>Other financing sources (uses):</b>       |                               |                 |                        |                             |
| Total other financing sources (uses)         | 44,371                        | 44,371          | 44,371                 | -                           |
| <b>Net change in fund balances</b>           | <u>\$ 44,388</u>              | <u>\$ 2,130</u> | <u>\$ 3,166</u>        | <u>\$ 1,036</u>             |
| <b>Fund balances July 1, as restated</b>     |                               |                 | <u>\$ (1,765)</u>      |                             |
| <b>Fund balances June 30</b>                 |                               |                 | <u><u>\$ 1,401</u></u> |                             |

| STATE GAMING FUND |             |                  |                             | STATE AND FEDERAL WELFARE ASSISTANCE |             |                  |                             |
|-------------------|-------------|------------------|-----------------------------|--------------------------------------|-------------|------------------|-----------------------------|
| Budget            |             | Actual           | Variance to<br>Final Budget | Budget                               |             | Actual           | Variance to<br>Final Budget |
| Original          | Final       |                  |                             | Original                             | Final       |                  |                             |
| \$ -              | \$ -        | \$ -             | \$ -                        | \$ -                                 | \$ -        | \$ -             | \$ -                        |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| 730,353           | 730,353     | 798,202          | 67,849                      | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| 5,180             | 5,180       | -                | (5,180)                     | 5,868                                | 5,868       | 5,770            | (98)                        |
| 735,533           | 735,533     | 798,202          | 62,669                      | 5,868                                | 5,868       | 5,770            | (98)                        |
| 1,803             | 1,803       | 1,681            | (122)                       | 969                                  | 969         | 739              | (230)                       |
| -                 | -           | -                | -                           | 171                                  | 171         | 93               | (78)                        |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | 9                | 9                           | 369,309                              | 369,309     | 388,971          | 19,662                      |
| 232               | 232         | 233              | 1                           | 225                                  | 225         | -                | (225)                       |
| 737,568           | 737,568     | 800,125          | 62,557                      | 376,542                              | 376,542     | 395,573          | 19,031                      |
| 3,989             | 140,111     | 140,101          | 10                          | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | 468,929     | 430,549          | 38,380                      |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| -                 | -           | -                | -                           | -                                    | -           | -                | -                           |
| 3,989             | 140,111     | 140,101          | 10                          | -                                    | 468,929     | 430,549          | 38,380                      |
| 733,579           | 597,457     | 660,024          | (62,567)                    | 376,542                              | (92,387)    | (34,976)         | (57,411)                    |
| (655,395)         | (655,395)   | (655,395)        | -                           | (2,472)                              | (2,472)     | (2,472)          | -                           |
| \$ 78,184         | \$ (57,938) | \$ 4,629         | \$ 62,567                   | \$ 374,070                           | \$ (94,859) | \$ (37,448)      | \$ 57,411                   |
|                   |             | \$ 17,450        |                             |                                      |             | \$ 71,767        |                             |
|                   |             | <u>\$ 22,079</u> |                             |                                      |             | <u>\$ 34,319</u> |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | <b>WELFARE - MEDICAID ADMINISTRATION</b> |                    |                        |                                     |
|----------------------------------------------|------------------------------------------|--------------------|------------------------|-------------------------------------|
|                                              | <b>Budget</b>                            |                    | <b>Actual</b>          | <b>Variance to<br/>Final Budget</b> |
|                                              | <b>Original</b>                          | <b>Final</b>       |                        |                                     |
| <b>Revenues:</b>                             |                                          |                    |                        |                                     |
| Taxes:                                       |                                          |                    |                        |                                     |
| Income                                       | \$ -                                     | \$ -               | \$ -                   | \$ -                                |
| Sales                                        | -                                        | -                  | -                      | -                                   |
| Fuels                                        | -                                        | -                  | -                      | -                                   |
| Gaming                                       | -                                        | -                  | -                      | -                                   |
| Alcohol and tobacco                          | -                                        | -                  | -                      | -                                   |
| Insurance                                    | -                                        | -                  | -                      | -                                   |
| Financial institutions                       | -                                        | -                  | -                      | -                                   |
| Other                                        | -                                        | -                  | -                      | -                                   |
| Total taxes                                  | -                                        | -                  | -                      | -                                   |
| Current service charges                      | -                                        | -                  | -                      | -                                   |
| Investment income                            | -                                        | -                  | -                      | -                                   |
| Sales/rents                                  | -                                        | -                  | -                      | -                                   |
| Grants                                       | 152,575                                  | 152,575            | 247,835                | 95,260                              |
| Other                                        | 2                                        | 2                  | -                      | (2)                                 |
| Total revenues                               | 152,577                                  | 152,577            | 247,835                | 95,258                              |
| <b>Expenditures:</b>                         |                                          |                    |                        |                                     |
| Current:                                     |                                          |                    |                        |                                     |
| General government                           | -                                        | -                  | -                      | -                                   |
| Public safety                                | -                                        | -                  | -                      | -                                   |
| Health                                       | -                                        | -                  | -                      | -                                   |
| Welfare                                      | -                                        | 293,933            | 291,407                | 2,526                               |
| Conservation, culture and development        | -                                        | -                  | -                      | -                                   |
| Education                                    | -                                        | -                  | -                      | -                                   |
| Transportation                               | -                                        | -                  | -                      | -                                   |
| Total expenditures                           | -                                        | 293,933            | 291,407                | 2,526                               |
| Excess of revenues over (under) expenditures | 152,577                                  | (141,356)          | (43,572)               | (97,784)                            |
| <b>Other financing sources (uses):</b>       |                                          |                    |                        |                                     |
| Total other financing sources (uses)         | 66,267                                   | 66,267             | 66,267                 | -                                   |
| <b>Net change in fund balances</b>           | <u>\$ 218,844</u>                        | <u>\$ (75,089)</u> | <u>\$ 22,695</u>       | <u>\$ 97,784</u>                    |
| <b>Fund balances July 1, as restated</b>     |                                          |                    | <u>\$ (23,334)</u>     |                                     |
| <b>Fund balances June 30</b>                 |                                          |                    | <u><u>\$ (639)</u></u> |                                     |

| BUREAU OF MOTOR VEHICLES COMMISSION |          |                    |                             | HEALTH AND ENVIRONMENTAL PROGRAMS |             |                 |                             |
|-------------------------------------|----------|--------------------|-----------------------------|-----------------------------------|-------------|-----------------|-----------------------------|
| Budget                              |          | Actual             | Variance to<br>Final Budget | Budget                            |             | Actual          | Variance to<br>Final Budget |
| Original                            | Final    |                    |                             | Original                          | Final       |                 |                             |
| \$ -                                | \$ -     | \$ -               | \$ -                        | \$ -                              | \$ -        | \$ -            | \$ -                        |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| 89,445                              | 89,445   | 82,753             | (6,692)                     | 26                                | 26          | 24              | (2)                         |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | 6                                 | 6           | 6               | -                           |
| -                                   | -        | 350                | 350                         | 173,672                           | 173,672     | 185,464         | 11,792                      |
| 61                                  | 61       | 3,274              | 3,213                       | 40,604                            | 40,604      | 43,228          | 2,624                       |
| 89,506                              | 89,506   | 86,377             | (3,129)                     | 214,308                           | 214,308     | 228,722         | 14,414                      |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| 80,080                              | 77,163   | 77,163             | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | 217,358     | 209,679         | 7,679                       |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | 41,063      | 41,063          | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| -                                   | -        | -                  | -                           | -                                 | -           | -               | -                           |
| 80,080                              | 77,163   | 77,163             | -                           | -                                 | 258,421     | 250,742         | 7,679                       |
| 9,426                               | 12,343   | 9,214              | 3,129                       | 214,308                           | (44,113)    | (22,020)        | (22,093)                    |
| (12,784)                            | (12,784) | (12,784)           | -                           | 23,501                            | 23,501      | 23,501          | -                           |
| \$ (3,358)                          | \$ (441) | \$ (3,570)         | \$ (3,129)                  | \$ 237,809                        | \$ (20,612) | \$ 1,481        | \$ 22,093                   |
|                                     |          | \$ (9,913)         |                             |                                   |             | \$ 1,246        |                             |
|                                     |          | <u>\$ (13,483)</u> |                             |                                   |             | <u>\$ 2,727</u> |                             |

continued on next page



**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | NATIONAL SCHOOL LUNCH |                    |                      |                             |
|----------------------------------------------|-----------------------|--------------------|----------------------|-----------------------------|
|                                              | Budget                |                    | Actual               | Variance to<br>Final Budget |
|                                              | Original              | Final              |                      |                             |
| <b>Revenues:</b>                             |                       |                    |                      |                             |
| Taxes:                                       |                       |                    |                      |                             |
| Income                                       | \$ -                  | \$ -               | \$ -                 | \$ -                        |
| Sales                                        | -                     | -                  | -                    | -                           |
| Fuels                                        | -                     | -                  | -                    | -                           |
| Gaming                                       | -                     | -                  | -                    | -                           |
| Alcohol and tobacco                          | -                     | -                  | -                    | -                           |
| Insurance                                    | -                     | -                  | -                    | -                           |
| Financial institutions                       | -                     | -                  | -                    | -                           |
| Other                                        | -                     | -                  | -                    | -                           |
| Total taxes                                  | -                     | -                  | -                    | -                           |
| Current service charges                      | -                     | -                  | -                    | -                           |
| Investment income                            | -                     | -                  | -                    | -                           |
| Sales/rents                                  | -                     | -                  | -                    | -                           |
| Grants                                       | 208,487               | 208,487            | 227,641              | 19,154                      |
| Other                                        | 18                    | 18                 | -                    | (18)                        |
| Total revenues                               | 208,505               | 208,505            | 227,641              | 19,136                      |
| <b>Expenditures:</b>                         |                       |                    |                      |                             |
| Current:                                     |                       |                    |                      |                             |
| General government                           | -                     | -                  | -                    | -                           |
| Public safety                                | -                     | -                  | -                    | -                           |
| Health                                       | -                     | -                  | -                    | -                           |
| Welfare                                      | -                     | -                  | -                    | -                           |
| Conservation, culture and development        | -                     | -                  | -                    | -                           |
| Education                                    | -                     | 227,762            | 226,984              | 778                         |
| Transportation                               | -                     | -                  | -                    | -                           |
| Total expenditures                           | -                     | 227,762            | 226,984              | 778                         |
| Excess of revenues over (under) expenditures | 208,505               | (19,257)           | 657                  | (19,914)                    |
| <b>Other financing sources (uses):</b>       |                       |                    |                      |                             |
| Total other financing sources (uses)         | (185)                 | (185)              | (185)                | -                           |
| <b>Net change in fund balances</b>           | <u>\$ 208,320</u>     | <u>\$ (19,442)</u> | <u>\$ 472</u>        | <u>\$ 19,914</u>            |
| <b>Fund balances July 1, as restated</b>     |                       |                    | <u>\$ 307</u>        |                             |
| <b>Fund balances June 30</b>                 |                       |                    | <u><u>\$ 779</u></u> |                             |

| BUILD INDIANA FUND |           |             |                             | PROPERTY TAX REDUCTION FUND |            |              |                             |
|--------------------|-----------|-------------|-----------------------------|-----------------------------|------------|--------------|-----------------------------|
| Budget             |           | Actual      | Variance to<br>Final Budget | Budget                      |            | Actual       | Variance to<br>Final Budget |
| Original           | Final     |             |                             | Original                    | Final      |              |                             |
| \$ -               | \$ -      | \$ -        | \$ -                        | \$ -                        | \$ -       | \$ -         | \$ -                        |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| 164,030            | 164,030   | 123,443     | (40,587)                    | 300,000                     | 300,000    | 200,001      | (99,999)                    |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | 4,606                       | 4,606      | 2,760        | (1,846)                     |
| 164,030            | 164,030   | 123,443     | (40,587)                    | 304,606                     | 304,606    | 202,761      | (101,845)                   |
| 5,445              | 2,347     | 2,026       | 321                         | 138,000                     | 130,777    | 130,777      | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| -                  | 1,223     | 1,001       | 222                         | -                           | -          | -            | -                           |
| -                  | -         | -           | -                           | -                           | -          | -            | -                           |
| 5,445              | 3,570     | 3,027       | 543                         | 138,000                     | 130,777    | 130,777      | -                           |
| 158,585            | 160,460   | 120,416     | 40,044                      | 166,606                     | 173,829    | 71,984       | 101,845                     |
| (158,655)          | (158,655) | (158,655)   | -                           | 28,708                      | 28,708     | 28,708       | -                           |
| \$ (70)            | \$ 1,805  | \$ (38,239) | \$ (40,044)                 | \$ 195,314                  | \$ 202,537 | \$ 100,692   | \$ (101,845)                |
|                    |           | \$ 42,016   |                             |                             |            | \$ (100,692) |                             |
|                    |           | \$ 3,777    |                             |                             |            | \$ -         |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | INDIANA CHECK-UP PLAN |                  |                          |                             |
|----------------------------------------------|-----------------------|------------------|--------------------------|-----------------------------|
|                                              | Budget                |                  | Actual                   | Variance to<br>Final Budget |
|                                              | Original              | Final            |                          |                             |
| <b>Revenues:</b>                             |                       |                  |                          |                             |
| Taxes:                                       |                       |                  |                          |                             |
| Income                                       | \$ -                  | \$ -             | \$ -                     | \$ -                        |
| Sales                                        | -                     | -                | -                        | -                           |
| Fuels                                        | -                     | -                | -                        | -                           |
| Gaming                                       | -                     | -                | -                        | -                           |
| Alcohol and tobacco                          | 127,860               | 127,860          | 138,398                  | 10,538                      |
| Insurance                                    | -                     | -                | -                        | -                           |
| Financial institutions                       | -                     | -                | -                        | -                           |
| Other                                        | -                     | -                | -                        | -                           |
| Total taxes                                  | 127,860               | 127,860          | 138,398                  | 10,538                      |
| Current service charges                      | -                     | -                | -                        | -                           |
| Investment income                            | -                     | -                | -                        | -                           |
| Sales/rents                                  | -                     | -                | -                        | -                           |
| Grants                                       | -                     | -                | -                        | -                           |
| Other                                        | -                     | -                | -                        | -                           |
| Total revenues                               | 127,860               | 127,860          | 138,398                  | 10,538                      |
| <b>Expenditures:</b>                         |                       |                  |                          |                             |
| Current:                                     |                       |                  |                          |                             |
| General government                           | -                     | -                | -                        | -                           |
| Public safety                                | -                     | -                | -                        | -                           |
| Health                                       | -                     | 10,748           | 10,748                   | -                           |
| Welfare                                      | -                     | 14,213           | 14,213                   | -                           |
| Conservation, culture and development        | -                     | -                | -                        | -                           |
| Education                                    | -                     | -                | -                        | -                           |
| Transportation                               | -                     | -                | -                        | -                           |
| Total expenditures                           | -                     | 24,961           | 24,961                   | -                           |
| Excess of revenues over (under) expenditures | 127,860               | 102,899          | 113,437                  | (10,538)                    |
| <b>Other financing sources (uses):</b>       |                       |                  |                          |                             |
| Total other financing sources (uses)         | (41,698)              | (41,698)         | (41,698)                 | -                           |
| <b>Net change in fund balances</b>           | <u>\$ 86,162</u>      | <u>\$ 61,201</u> | <u>\$ 71,739</u>         | <u>\$ 10,538</u>            |
| <b>Fund balances July 1, as restated</b>     |                       |                  | <u>\$ 116,961</u>        |                             |
| <b>Fund balances June 30</b>                 |                       |                  | <u><b>\$ 188,700</b></u> |                             |

| FUND 6000 PROGRAMS |              |                   |                             | PATIENTS COMPENSATION FUND |             |                   |                             |
|--------------------|--------------|-------------------|-----------------------------|----------------------------|-------------|-------------------|-----------------------------|
| Budget             |              | Actual            | Variance to<br>Final Budget | Budget                     |             | Actual            | Variance to<br>Final Budget |
| Original           | Final        |                   |                             | Original                   | Final       |                   |                             |
| \$ 112,885         | \$ 112,885   | \$ 133,786        | \$ 20,901                   | \$ -                       | \$ -        | \$ -              | \$ -                        |
| 90,803             | 90,803       | 95,674            | 4,871                       | -                          | -           | -                 | -                           |
| 47,811             | 47,811       | 25,119            | (22,692)                    | -                          | -           | -                 | -                           |
| 21                 | 21           | 45                | 24                          | -                          | -           | -                 | -                           |
| 12,694             | 12,694       | 9,787             | (2,907)                     | -                          | -           | -                 | -                           |
| 2,592              | 2,592        | 4,385             | 1,793                       | -                          | -           | -                 | -                           |
| 36,543             | 36,543       | 16,298            | (20,245)                    | -                          | -           | -                 | -                           |
| 77,537             | 77,537       | 160,774           | 83,237                      | -                          | -           | -                 | -                           |
| 380,886            | 380,886      | 445,868           | 64,982                      | -                          | -           | -                 | -                           |
| 124,813            | 124,813      | 106,986           | (17,827)                    | 143,996                    | 143,996     | 130,123           | (13,873)                    |
| 5,975              | 5,975        | 998               | (4,977)                     | 8,375                      | 8,375       | 2,351             | (6,024)                     |
| 2,188              | 2,188        | 1,647             | (541)                       | -                          | -           | -                 | -                           |
| 944,738            | 944,738      | 1,139,539         | 194,801                     | -                          | -           | 2                 | 2                           |
| 330,263            | 330,263      | 315,594           | (14,669)                    | 2                          | 2           | -                 | (2)                         |
| 1,788,863          | 1,788,863    | 2,010,632         | 221,769                     | 152,373                    | 152,373     | 132,476           | (19,897)                    |
| -                  | 701,552      | 431,792           | 269,760                     | -                          | -           | -                 | -                           |
| 80                 | 252,530      | 230,309           | 22,221                      | 2,045                      | 174,089     | 111,191           | 62,898                      |
| -                  | 13,343       | 6,609             | 6,734                       | -                          | -           | -                 | -                           |
| -                  | 217,996      | 213,075           | 4,921                       | -                          | -           | -                 | -                           |
| -                  | 200,212      | 174,963           | 25,249                      | -                          | -           | -                 | -                           |
| -                  | 660,234      | 655,050           | 5,184                       | -                          | -           | -                 | -                           |
| -                  | 3,502        | 1,758             | 1,744                       | -                          | -           | -                 | -                           |
| 80                 | 2,049,369    | 1,713,556         | 335,813                     | 2,045                      | 174,089     | 111,191           | 62,898                      |
| 1,788,783          | (260,506)    | 297,076           | (557,582)                   | 150,328                    | (21,716)    | 21,285            | (43,001)                    |
| (342,620)          | (342,620)    | (342,620)         | -                           | (185)                      | (185)       | (185)             | -                           |
| \$ 1,446,163       | \$ (603,126) | \$ (45,544)       | \$ 557,582                  | \$ 150,143                 | \$ (21,901) | \$ 21,100         | \$ 43,001                   |
|                    |              | \$ 439,859        |                             |                            |             | \$ 222,680        |                             |
|                    |              | <u>\$ 394,315</u> |                             |                            |             | <u>\$ 243,780</u> |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | PRIMARY ROAD AND STREET |                 |                        |                             |
|----------------------------------------------|-------------------------|-----------------|------------------------|-----------------------------|
|                                              | Budget                  |                 | Actual                 | Variance to<br>Final Budget |
|                                              | Original                | Final           |                        |                             |
| <b>Revenues:</b>                             |                         |                 |                        |                             |
| Taxes:                                       |                         |                 |                        |                             |
| Income                                       | \$ -                    | \$ -            | \$ -                   | \$ -                        |
| Sales                                        | -                       | -               | -                      | -                           |
| Fuels                                        | 167,128                 | 167,128         | 156,172                | (10,956)                    |
| Gaming                                       | -                       | -               | -                      | -                           |
| Alcohol and tobacco                          | -                       | -               | -                      | -                           |
| Insurance                                    | -                       | -               | -                      | -                           |
| Financial institutions                       | -                       | -               | -                      | -                           |
| Other                                        | 6,389                   | 6,389           | 4,867                  | (1,522)                     |
| Total taxes                                  | 173,517                 | 173,517         | 161,039                | (12,478)                    |
| Current service charges                      | 18,967                  | 18,967          | 17,006                 | (1,961)                     |
| Investment income                            | -                       | -               | -                      | -                           |
| Sales/rents                                  | -                       | -               | -                      | -                           |
| Grants                                       | -                       | -               | -                      | -                           |
| Other                                        | -                       | -               | -                      | -                           |
| Total revenues                               | 192,484                 | 192,484         | 178,045                | (14,439)                    |
| <b>Expenditures:</b>                         |                         |                 |                        |                             |
| Current:                                     |                         |                 |                        |                             |
| General government                           | -                       | 78,258          | 73,707                 | 4,551                       |
| Public safety                                | -                       | -               | -                      | -                           |
| Health                                       | -                       | -               | -                      | -                           |
| Welfare                                      | -                       | -               | -                      | -                           |
| Conservation, culture and development        | -                       | -               | -                      | -                           |
| Education                                    | -                       | -               | -                      | -                           |
| Transportation                               | -                       | -               | -                      | -                           |
| Total expenditures                           | -                       | 78,258          | 73,707                 | 4,551                       |
| Excess of revenues over (under) expenditures | 192,484                 | 114,226         | 104,338                | 9,888                       |
| <b>Other financing sources (uses):</b>       |                         |                 |                        |                             |
| Total other financing sources (uses)         | (104,697)               | (104,697)       | (104,697)              | -                           |
| <b>Net change in fund balances</b>           | <u>\$ 87,787</u>        | <u>\$ 9,529</u> | <u>\$ (359)</u>        | <u>\$ (9,888)</u>           |
| <b>Fund balances July 1, as restated</b>     |                         |                 | <u>\$ 4,911</u>        |                             |
| <b>Fund balances June 30</b>                 |                         |                 | <u><u>\$ 4,552</u></u> |                             |

| TOBACCO SETTLEMENT FUND |          |                   |                             | STATE TUITION RESERVE FUND |            |                   |                             |
|-------------------------|----------|-------------------|-----------------------------|----------------------------|------------|-------------------|-----------------------------|
| Budget                  |          | Actual            | Variance to<br>Final Budget | Budget                     |            | Actual            | Variance to<br>Final Budget |
| Original                | Final    |                   |                             | Original                   | Final      |                   |                             |
| \$ -                    | \$ -     | \$ -              | \$ -                        | \$ -                       | \$ -       | \$ -              | \$ -                        |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| 147,475                 | 147,475  | 160,954           | 13,479                      | -                          | -          | -                 | -                           |
| 3,980                   | 3,980    | 1,441             | (2,539)                     | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | 5                 | 5                           | -                          | -          | -                 | -                           |
| 225                     | 225      | 1,263             | 1,038                       | -                          | -          | -                 | -                           |
| 151,680                 | 151,680  | 163,663           | 11,983                      | -                          | -          | -                 | -                           |
| -                       | 15,714   | 15,087            | 627                         | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| 30,750                  | 47,893   | 47,893            | -                           | -                          | -          | -                 | -                           |
| 7,000                   | 1,054    | 1,054             | -                           | -                          | -          | -                 | -                           |
| -                       | 137      | 137               | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| -                       | -        | -                 | -                           | -                          | -          | -                 | -                           |
| 37,750                  | 64,798   | 64,171            | 627                         | -                          | -          | -                 | -                           |
| 113,930                 | 86,882   | 99,492            | (12,610)                    | -                          | -          | -                 | -                           |
| (83,924)                | (83,924) | (78,249)          | 5,675                       | 941,719                    | 941,719    | 941,719           | -                           |
| \$ 30,006               | \$ 2,958 | \$ 21,243         | \$ 18,285                   | \$ 941,719                 | \$ 941,719 | \$ 941,719        | \$ -                        |
|                         |          | 139,919           |                             |                            |            | \$ -              |                             |
|                         |          | <u>\$ 161,162</u> |                             |                            |            | <u>\$ 941,719</u> |                             |

continued on next page

**State of Indiana**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**(Budgetary Basis)**  
**For the Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                              | <b>FEDERAL FOOD STAMP PROGRAM</b> |                    |                          |                     |
|----------------------------------------------|-----------------------------------|--------------------|--------------------------|---------------------|
|                                              | <b>Budget</b>                     |                    | <b>Actual</b>            | <b>Variance to</b>  |
|                                              | <b>Original</b>                   | <b>Final</b>       |                          | <b>Final Budget</b> |
| <b>Revenues:</b>                             |                                   |                    |                          |                     |
| Taxes:                                       |                                   |                    |                          |                     |
| Income                                       | \$ -                              | \$ -               | \$ -                     | \$ -                |
| Sales                                        | -                                 | -                  | -                        | -                   |
| Fuels                                        | -                                 | -                  | -                        | -                   |
| Gaming                                       | -                                 | -                  | -                        | -                   |
| Alcohol and tobacco                          | -                                 | -                  | -                        | -                   |
| Insurance                                    | -                                 | -                  | -                        | -                   |
| Financial institutions                       | -                                 | -                  | -                        | -                   |
| Other                                        | -                                 | -                  | -                        | -                   |
| Total taxes                                  | -                                 | -                  | -                        | -                   |
| Current service charges                      | -                                 | -                  | -                        | -                   |
| Investment income                            | -                                 | -                  | -                        | -                   |
| Sales/rents                                  | -                                 | -                  | -                        | -                   |
| Grants                                       | 42,054                            | 42,054             | 65,523                   | 23,469              |
| Other                                        | 62                                | 62                 | 24                       | (38)                |
| Total revenues                               | 42,116                            | 42,116             | 65,547                   | 23,431              |
| <b>Expenditures:</b>                         |                                   |                    |                          |                     |
| Current:                                     |                                   |                    |                          |                     |
| General government                           | -                                 | -                  | -                        | -                   |
| Public safety                                | -                                 | -                  | -                        | -                   |
| Health                                       | -                                 | -                  | -                        | -                   |
| Welfare                                      | -                                 | 83,153             | 83,153                   | -                   |
| Conservation, culture and development        | -                                 | -                  | -                        | -                   |
| Education                                    | -                                 | -                  | -                        | -                   |
| Transportation                               | -                                 | -                  | -                        | -                   |
| Total expenditures                           | -                                 | 83,153             | 83,153                   | -                   |
| Excess of revenues over (under) expenditures | 42,116                            | (41,037)           | (17,606)                 | (23,431)            |
| <b>Other financing sources (uses):</b>       |                                   |                    |                          |                     |
| Total other financing sources (uses)         | 19,421                            | 19,421             | 19,421                   | -                   |
| <b>Net change in fund balances</b>           | <u>\$ 61,537</u>                  | <u>\$ (21,616)</u> | <u>\$ 1,815</u>          | <u>\$ 23,431</u>    |
| <b>Fund balances July 1, as restated</b>     |                                   |                    | <u>\$ (9,787)</u>        |                     |
| <b>Fund balances June 30</b>                 |                                   |                    | <u><u>\$ (7,972)</u></u> |                     |

| MEDICAID INDIGENT CARE TRUST |             |                   |                             | Other Non-Major Special Revenue Funds |              |                   |                             |
|------------------------------|-------------|-------------------|-----------------------------|---------------------------------------|--------------|-------------------|-----------------------------|
| Budget                       |             | Actual            | Variance to<br>Final Budget | Budget                                |              | Actual            | Variance to<br>Final Budget |
| Original                     | Final       |                   |                             | Original                              | Final        |                   |                             |
| \$ -                         | \$ -        | \$ -              | \$ -                        | \$ -                                  | \$ -         | \$ -              | \$ -                        |
| -                            | -           | -                 | -                           | 48,753                                | 48,753       | 47,916            | (837)                       |
| -                            | -           | -                 | -                           | 149,166                               | 149,166      | 146,695           | (2,471)                     |
| -                            | -           | -                 | -                           | -                                     | -            | -                 | -                           |
| -                            | -           | -                 | -                           | 39,475                                | 39,475       | 39,156            | (319)                       |
| -                            | -           | -                 | -                           | -                                     | -            | -                 | -                           |
| -                            | -           | -                 | -                           | -                                     | -            | -                 | -                           |
| -                            | -           | -                 | -                           | 95,220                                | 95,220       | 96,872            | 1,652                       |
| -                            | -           | -                 | -                           | 332,614                               | 332,614      | 330,639           | (1,975)                     |
| -                            | -           | -                 | -                           | 243,023                               | 243,023      | 263,163           | 20,140                      |
| 8,350                        | 8,350       | 530               | (7,820)                     | 6,234                                 | 6,234        | 2,537             | (3,697)                     |
| -                            | -           | -                 | -                           | 6,041                                 | 6,041        | 4,784             | (1,257)                     |
| -                            | -           | 11,041            | 11,041                      | 545,726                               | 545,726      | 572,759           | 27,033                      |
| -                            | -           | 13,542            | 13,542                      | 65,861                                | 65,861       | 56,992            | (8,869)                     |
| 8,350                        | 8,350       | 25,113            | 16,763                      | 1,199,499                             | 1,199,499    | 1,230,874         | 31,375                      |
| -                            | -           | -                 | -                           | -                                     | -            | -                 | -                           |
| -                            | -           | -                 | -                           | 38,121                                | 82,134       | 79,331            | 2,803                       |
| -                            | -           | -                 | -                           | 87,617                                | 120,917      | 112,112           | 8,805                       |
| -                            | -           | -                 | -                           | 8,437                                 | 34,435       | 30,006            | 4,429                       |
| -                            | 53,148      | -                 | 53,148                      | -                                     | 821,748      | 785,688           | 36,060                      |
| -                            | -           | -                 | -                           | 175,763                               | 384,304      | 342,740           | 41,564                      |
| -                            | -           | -                 | -                           | 2,344                                 | 312,810      | 309,989           | 2,821                       |
| -                            | -           | -                 | -                           | 138,292                               | 225,983      | 213,541           | 12,442                      |
| -                            | 53,148      | -                 | 53,148                      | 450,574                               | 1,982,331    | 1,873,407         | 108,924                     |
| 8,350                        | (44,798)    | 25,113            | (69,911)                    | 748,925                               | (782,832)    | (642,533)         | (140,299)                   |
| 27,339                       | 27,339      | 27,339            | -                           | 565,358                               | 565,358      | 565,358           | -                           |
| \$ 35,689                    | \$ (17,459) | \$ 52,452         | \$ 69,911                   | \$ 1,314,283                          | \$ (217,474) | \$ (77,175)       | \$ 140,299                  |
|                              |             | \$ 50,545         |                             |                                       |              | \$ 735,841        |                             |
|                              |             | <u>\$ 102,997</u> |                             |                                       |              | <u>\$ 658,666</u> |                             |



## Budget/GAAP Reconciliation Nonmajor Special Revenue Funds

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

| (amounts expressed in thousands)                                                                               | Nonmajor<br>Special<br>Revenue<br>Funds |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Net change in fund balances (budgetary basis)                                                                  | \$ 1,040,877                            |
| Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:           |                                         |
| Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)                       | 999,200                                 |
| Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary) | (1,035,207)                             |
| Funds not subject to legally adopted budget                                                                    | <u>12</u>                               |
| <b>Net change in fund balances (GAAP basis)</b>                                                                | <b><u><u>\$ 1,004,881</u></u></b>       |

## NON-MAJOR PROPRIETARY FUNDS

### ENTERPRISE FUNDS

Enterprise Funds account for operations established to provide services to the general public in a manner similar to private business enterprises. Cost of providing the goods or services are financed or recovered primarily through fees and user charges. The non-major enterprise funds are as follows:

**Residual Malpractice Insurance Authority** – IC 34-18-17 created the Residual Malpractice Insurance Authority to make malpractice liability insurance available to those who cannot obtain this coverage through other insurers. The Indiana Department of Insurance is the designated residual malpractice insurance authority per State law. Revenues are from the premiums collected.

**Inns and Concessions** - This fund accounts for the operations of various State Park Inns which provide lodging throughout the year for park tourists, and for the restaurant and concessions at Fort Benjamin Harrison.

# State of Indiana

## Combining Statement of Fund Net Assets

### Non-Major Proprietary Funds

### June 30, 2009

(amounts expressed in thousands)

|                                                       | Residual<br>Malpractice<br>Insurance Authority | Inns and Concessions | Total            |
|-------------------------------------------------------|------------------------------------------------|----------------------|------------------|
| <b>Assets</b>                                         |                                                |                      |                  |
| Current assets:                                       |                                                |                      |                  |
| Cash, cash equivalents and investments - unrestricted | \$ 64,981                                      | \$ 4,370             | \$ 69,351        |
| Receivables:                                          |                                                |                      |                  |
| Accounts                                              | 485                                            | 341                  | 826              |
| Interest                                              | 732                                            | -                    | 732              |
| Inventory                                             | -                                              | 607                  | 607              |
| Prepaid expenses                                      | -                                              | 49                   | 49               |
| Total current assets                                  | 66,198                                         | 5,367                | 71,565           |
| Noncurrent assets:                                    |                                                |                      |                  |
| Capital assets:                                       |                                                |                      |                  |
| Property, plant, and equipment                        | -                                              | 26,812               | 26,812           |
| Less accumulated depreciation                         | -                                              | (12,287)             | (12,287)         |
| Total capital assets, net of depreciation             | -                                              | 14,525               | 14,525           |
| Total noncurrent assets                               | -                                              | 14,525               | 14,525           |
| <b>Total assets</b>                                   | <b>66,198</b>                                  | <b>19,892</b>        | <b>86,090</b>    |
| <b>Liabilities</b>                                    |                                                |                      |                  |
| Current liabilities:                                  |                                                |                      |                  |
| Accounts payable                                      | -                                              | 542                  | 542              |
| Claims payable                                        | 3,221                                          | -                    | 3,221            |
| Salaries and benefits payable                         | -                                              | 508                  | 508              |
| Accrued liability for compensated absences            | -                                              | 198                  | 198              |
| Deferred revenue                                      | 2,476                                          | 3,265                | 5,741            |
| Other liabilities                                     | 152                                            | 373                  | 525              |
| Total current liabilities                             | 5,849                                          | 4,886                | 10,735           |
| Noncurrent liabilities:                               |                                                |                      |                  |
| Accrued liability for compensated absences            | -                                              | 310                  | 310              |
| Claims payable                                        | 42,483                                         | -                    | 42,483           |
| Total noncurrent liabilities                          | 42,483                                         | 310                  | 42,793           |
| <b>Total liabilities</b>                              | <b>48,332</b>                                  | <b>5,196</b>         | <b>53,528</b>    |
| <b>Net assets</b>                                     |                                                |                      |                  |
| Invested in capital assets net of related debt        | -                                              | 14,525               | 14,525           |
| Unrestricted                                          | 17,866                                         | 171                  | 18,037           |
| <b>Total net assets</b>                               | <b>\$ 17,866</b>                               | <b>\$ 14,696</b>     | <b>\$ 32,562</b> |

**State of Indiana**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Non-Major Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                           | <b>Residual Malpractice<br/>Insurance Authority</b> | <b>Inns and<br/>Concessions</b> | <b>Total</b>     |
|-------------------------------------------|-----------------------------------------------------|---------------------------------|------------------|
| <b>Operating revenues:</b>                |                                                     |                                 |                  |
| Sales/rents/premiums                      | \$ 5,418                                            | \$ 22,531                       | \$ 27,949        |
| Other                                     | -                                                   | 236                             | 236              |
| Total operating revenues                  | 5,418                                               | 22,767                          | 28,185           |
| Cost of sales                             | -                                                   | 4,175                           | 4,175            |
| Gross margin                              | 5,418                                               | 18,592                          | 24,010           |
| <b>Operating expenses:</b>                |                                                     |                                 |                  |
| General and administrative expense        | 827                                                 | 19,541                          | 20,368           |
| Claims expense                            | 243                                                 | -                               | 243              |
| Depreciation and amortization             | -                                                   | 635                             | 635              |
| Other                                     | -                                                   | 98                              | 98               |
| Total operating expenses                  | 1,070                                               | 20,274                          | 21,344           |
| Operating income (loss)                   | 4,348                                               | (1,682)                         | 2,666            |
| <b>Nonoperating revenues (expenses):</b>  |                                                     |                                 |                  |
| Interest and other investment income      | 3,491                                               | 50                              | 3,541            |
| Total nonoperating revenues (expenses)    | 3,491                                               | 50                              | 3,541            |
| Income before contributions and transfers | 7,839                                               | (1,632)                         | 6,207            |
| Transfers in                              | -                                                   | 2,113                           | 2,113            |
| <b>Change in net assets</b>               | 7,839                                               | 481                             | 8,320            |
| <b>Total net assets, July 1</b>           | <b>10,027</b>                                       | <b>14,215</b>                   | <b>24,242</b>    |
| <b>Total net assets, June 30</b>          | <b>\$ 17,866</b>                                    | <b>\$ 14,696</b>                | <b>\$ 32,562</b> |

# State of Indiana

## Combining Statement of Cash Flows

### Non-Major Proprietary Funds

### For the Fiscal Year Ended June 30, 2009

(amounts expressed in thousands)

|                                                                      | <b>Residual<br/>Malpractice<br/>Insurance<br/>Authority</b> | <b>Inns and<br/>Concessions</b> | <b>Total</b>     |
|----------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------|------------------|
| <b>Cash flows from operating activities:</b>                         |                                                             |                                 |                  |
| Cash received from customers                                         | \$ 4,740                                                    | \$ 22,875                       | \$ 27,615        |
| Cash paid for general and administrative                             | (763)                                                       | (19,501)                        | (20,264)         |
| Cash paid to suppliers                                               | -                                                           | (4,174)                         | (4,174)          |
| Cash paid for claims expense                                         | (4,250)                                                     | -                               | (4,250)          |
| Net cash provided (used) by operating activities                     | (273)                                                       | (800)                           | (1,073)          |
| <b>Cash flows from capital and related financing activities:</b>     |                                                             |                                 |                  |
| Acquisition/construction of capital assets                           | -                                                           | (1,486)                         | (1,486)          |
| Capital contributions                                                | -                                                           | 2,114                           | 2,114            |
| Net cash provided (used) by capital and related financing activities | -                                                           | 628                             | 628              |
| <b>Cash flows from investing activities:</b>                         |                                                             |                                 |                  |
| Proceeds from sales of investments                                   | 8,000                                                       | -                               | 8,000            |
| Purchase of investments                                              | (11,648)                                                    | -                               | (11,648)         |
| Interest income (expense) on investments                             | 2,711                                                       | 50                              | 2,761            |
| Net cash provided (used) by investing activities                     | (937)                                                       | 50                              | (887)            |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>(1,210)</b>                                              | <b>(122)</b>                    | <b>(1,332)</b>   |
| <b>Cash and cash equivalents, July 1</b>                             | <b>2,412</b>                                                | <b>4,047</b>                    | <b>6,459</b>     |
| <b>Cash and cash equivalents, June 30</b>                            | <b>\$ 1,202</b>                                             | <b>\$ 3,925</b>                 | <b>\$ 5,127</b>  |
| <b>Reconciliation of cash , cash equivalents and investments:</b>    |                                                             |                                 |                  |
| Cash and cash equivalents unrestricted at end of year                | \$ 1,202                                                    | \$ 3,925                        | \$ 5,127         |
| Investments unrestricted                                             | 63,779                                                      | 445                             | 64,224           |
| <b>Cash, cash equivalents and investments per balance sheet</b>      | <b>\$ 64,981</b>                                            | <b>\$ 4,370</b>                 | <b>\$ 69,351</b> |
| <b>Noncash investing, capital and financing activities:</b>          |                                                             |                                 |                  |
| Increase in fair value of investments                                | \$ 736                                                      | \$ -                            | \$ 736           |

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Non-Major Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                                                                          | <b>Residual<br/>Malpractice<br/>Insurance<br/>Authority</b> | <b>Inns and<br/>Concessions</b> | <b>Total</b>      |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------|-------------------|
| <b>Reconciliation of operating income to net cash provided<br/>(used) by operating activities:</b>       |                                                             |                                 |                   |
| Operating income (loss)                                                                                  | \$ 4,348                                                    | \$ (1,682)                      | \$ 2,666          |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities: |                                                             |                                 |                   |
| Depreciation/amortization expense                                                                        | -                                                           | 635                             | 635               |
| (Increase) decrease in receivables                                                                       | 63                                                          | 56                              | 119               |
| (Increase) decrease in prepaid expenses                                                                  | -                                                           | (4)                             | (4)               |
| (Increase) decrease in claims payable                                                                    | (4,007)                                                     | -                               | (4,007)           |
| Increase (decrease) in accounts payable                                                                  | -                                                           | (36)                            | (36)              |
| Increase (decrease) in deferred revenue                                                                  | (741)                                                       | 45                              | (696)             |
| Increase (decrease) in salaries payable                                                                  | -                                                           | 57                              | 57                |
| Increase (decrease) in compensated absences                                                              | -                                                           | 86                              | 86                |
| Increase (decrease) in other payables                                                                    | 64                                                          | 43                              | 107               |
| Net cash provided (used) by operating activities                                                         | <u>\$ (273)</u>                                             | <u>\$ (800)</u>                 | <u>\$ (1,073)</u> |



## INTERNAL SERVICE FUNDS

Internal Service Funds account for the operations of State agencies that supply goods or services to other agencies of governmental units on a cost-reimbursement basis.

**Institutional Industries** - This fund accounts for revenues and expenses incurred from the operation of inmate employment programs. Goods produced or manufactured as a result of such programs are sold to state agencies and political subdivisions of the State as well as to the general public.

**Administrative Services Revolving** – This fund is used to account for the following rotary funds.

**Information Technology Services** provides telecommunications and data processing services to State agencies. Revenues consist of charges to user agencies.

**Motor Pool Rotary Fund** accounts for the operation and maintenance of State garages including the servicing and repair of all automotive equipment owned or controlled by the State. Revenues consist of charges to user agencies.

**Printing Rotary Fund** accounts for the operation of the State Print Shop, which provides printing services to other State agencies. Revenues consist of charges to user agencies.

**General Services Rotary** accounts for postal service charges to agencies. Revenues consist of charges to user agencies.

**Aviation Rotary Fund** accounts for the operation and maintenance of state aircraft. Revenues consist of charges to user agencies.

**Self-Insurance Funds** - The self-insurance funds consist of the **State Police Health Insurance Fund, State Employee Disability Fund, and the State Employee Health Insurance Fund**. These funds administer health insurance and disability plans for state employees and state police personnel.



**State of Indiana**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2009**

(amounts expressed in thousands)

|                                                       | Institutional<br>Industries | Administrative<br>Services<br>Revolving | State Police<br>Health Insurance<br>Fund | State Employee<br>Disability Fund | State Employee<br>Health Insurance<br>Fund | Total          |
|-------------------------------------------------------|-----------------------------|-----------------------------------------|------------------------------------------|-----------------------------------|--------------------------------------------|----------------|
| <b>Assets</b>                                         |                             |                                         |                                          |                                   |                                            |                |
| Current assets:                                       |                             |                                         |                                          |                                   |                                            |                |
| Cash, cash equivalents and investments - unrestricted | \$ 1,816                    | \$ 28,601                               | \$ 10,042                                | \$ 23,433                         | \$ 55,076                                  | \$ 118,968     |
| Receivables:                                          |                             |                                         |                                          |                                   |                                            |                |
| Accounts                                              | 2,762                       | 1,077                                   | 1,215                                    | 1,294                             | 699                                        | 7,047          |
| Interfund services provided                           | 823                         | 9,666                                   | -                                        | -                                 | -                                          | 10,489         |
| Inventory                                             | 4,464                       | 1,945                                   | -                                        | -                                 | -                                          | 6,409          |
| Prepaid expenses                                      | -                           | 4,857                                   | -                                        | -                                 | -                                          | 4,857          |
| Total current assets                                  | 9,865                       | 46,146                                  | 11,257                                   | 24,727                            | 55,775                                     | 147,770        |
| Noncurrent assets:                                    |                             |                                         |                                          |                                   |                                            |                |
| Capital assets:                                       |                             |                                         |                                          |                                   |                                            |                |
| Construction in progress                              | 77                          | -                                       | -                                        | -                                 | -                                          | 77             |
| Property, plant, and equipment                        | 19,609                      | 32,801                                  | -                                        | -                                 | -                                          | 52,410         |
| Less accumulated depreciation                         | (10,410)                    | (20,483)                                | -                                        | -                                 | -                                          | (30,893)       |
| Total capital assets, net of depreciation             | 9,276                       | 12,318                                  | -                                        | -                                 | -                                          | 21,594         |
| Total noncurrent assets                               | 9,276                       | 12,318                                  | -                                        | -                                 | -                                          | 21,594         |
| <b>Total assets</b>                                   | <b>19,141</b>               | <b>58,464</b>                           | <b>11,257</b>                            | <b>24,727</b>                     | <b>55,775</b>                              | <b>169,364</b> |
| <b>Liabilities</b>                                    |                             |                                         |                                          |                                   |                                            |                |
| Current liabilities:                                  |                             |                                         |                                          |                                   |                                            |                |
| Accounts payable                                      | 1,820                       | 4,475                                   | -                                        | 109                               | 249                                        | 6,653          |
| Salaries and benefits payable                         | 369                         | 1,079                                   | -                                        | -                                 | -                                          | 1,448          |
| Capital lease payable                                 | 155                         | 120                                     | -                                        | -                                 | -                                          | 275            |
| Health/disability benefits payable                    | -                           | -                                       | 3,037                                    | 4,137                             | 32,121                                     | 39,295         |
| Accrued liability for compensated absences            | 419                         | 1,618                                   | -                                        | -                                 | -                                          | 2,037          |
| Interfund services used                               | -                           | 20                                      | -                                        | -                                 | -                                          | 20             |
| Deferred revenue                                      | 1                           | -                                       | -                                        | -                                 | -                                          | 1              |
| Other liabilities                                     | 37                          | -                                       | -                                        | -                                 | -                                          | 37             |
| Total current liabilities                             | 2,801                       | 7,312                                   | 3,037                                    | 4,246                             | 32,370                                     | 49,766         |
| Noncurrent liabilities:                               |                             |                                         |                                          |                                   |                                            |                |
| Accrued liability for compensated absences            | 379                         | 1,464                                   | -                                        | -                                 | -                                          | 1,843          |
| Capital lease payable                                 | 8,313                       | 350                                     | -                                        | -                                 | -                                          | 8,663          |
| Total noncurrent liabilities                          | 8,692                       | 1,814                                   | -                                        | -                                 | -                                          | 10,506         |
| <b>Total liabilities</b>                              | <b>11,493</b>               | <b>9,126</b>                            | <b>3,037</b>                             | <b>4,246</b>                      | <b>32,370</b>                              | <b>60,272</b>  |
| <b>Net assets</b>                                     |                             |                                         |                                          |                                   |                                            |                |
| Invested in capital assets net of related debt        | 809                         | 11,848                                  | -                                        | -                                 | -                                          | 12,657         |
| Unrestricted (deficit)                                | 6,839                       | 37,490                                  | 8,220                                    | 20,481                            | 23,405                                     | 96,435         |
| Total net assets                                      | \$ 7,648                    | \$ 49,338                               | \$ 8,220                                 | \$ 20,481                         | \$ 23,405                                  | \$ 109,092     |

**State of Indiana**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                  | Institutional<br>Industries | Administrative<br>Services<br>Revolving | State Police<br>Health Insurance<br>Fund | State Employee<br>Disability Fund | State Employee<br>Health Insurance<br>Fund | Total             |
|--------------------------------------------------|-----------------------------|-----------------------------------------|------------------------------------------|-----------------------------------|--------------------------------------------|-------------------|
| <b>Operating revenues:</b>                       |                             |                                         |                                          |                                   |                                            |                   |
| Sales/rents/premiums                             | \$ 35,779                   | \$ 121,354                              | \$ 29,318                                | \$ 32,797                         | \$ 301,881                                 | \$ 521,129        |
| Charges for services                             | -                           | 705                                     | -                                        | 488                               | -                                          | 1,193             |
| Other                                            | 137                         | 490                                     | 370                                      | -                                 | -                                          | 997               |
| <b>Total operating revenues</b>                  | <b>35,916</b>               | <b>122,549</b>                          | <b>29,688</b>                            | <b>33,285</b>                     | <b>301,881</b>                             | <b>523,319</b>    |
| Cost of sales                                    | 22,019                      | 1,535                                   | -                                        | -                                 | -                                          | 23,554            |
| <b>Gross margin</b>                              | <b>13,897</b>               | <b>121,014</b>                          | <b>29,688</b>                            | <b>33,285</b>                     | <b>301,881</b>                             | <b>499,765</b>    |
| <b>Operating expenses:</b>                       |                             |                                         |                                          |                                   |                                            |                   |
| General and administrative expense               | 14,532                      | 105,971                                 | 1,349                                    | 1,266                             | 15,577                                     | 138,695           |
| Health / disability benefit payments             | -                           | -                                       | 25,877                                   | 23,697                            | 293,397                                    | 342,971           |
| Depreciation and amortization                    | 989                         | 6,616                                   | -                                        | -                                 | -                                          | 7,605             |
| <b>Total operating expenses</b>                  | <b>15,521</b>               | <b>112,587</b>                          | <b>27,226</b>                            | <b>24,963</b>                     | <b>308,974</b>                             | <b>489,271</b>    |
| <b>Operating income (loss)</b>                   | <b>(1,624)</b>              | <b>8,427</b>                            | <b>2,462</b>                             | <b>8,322</b>                      | <b>(7,093)</b>                             | <b>10,494</b>     |
| <b>Nonoperating revenues (expenses):</b>         |                             |                                         |                                          |                                   |                                            |                   |
| Interest and other investment income             | 1                           | -                                       | -                                        | -                                 | -                                          | 1                 |
| Interest and other investment expense            | (700)                       | (32)                                    | -                                        | -                                 | -                                          | (732)             |
| Gain (Loss) on disposition of assets             | (15)                        | (2,281)                                 | -                                        | -                                 | -                                          | (2,296)           |
| Other                                            | (767)                       | 75                                      | -                                        | 293                               | (6,874)                                    | (7,273)           |
| <b>Total nonoperating revenues (expenses)</b>    | <b>(1,481)</b>              | <b>(2,238)</b>                          | <b>-</b>                                 | <b>293</b>                        | <b>(6,874)</b>                             | <b>(10,300)</b>   |
| <b>Income before contributions and transfers</b> | <b>(3,105)</b>              | <b>6,189</b>                            | <b>2,462</b>                             | <b>8,615</b>                      | <b>(13,967)</b>                            | <b>194</b>        |
| Transfers in                                     | 14,129                      | -                                       | -                                        | -                                 | -                                          | 14,129            |
| Transfers (out)                                  | (10,083)                    | -                                       | -                                        | -                                 | (12,647)                                   | (22,730)          |
| <b>Change in net assets</b>                      | <b>941</b>                  | <b>6,189</b>                            | <b>2,462</b>                             | <b>8,615</b>                      | <b>(26,614)</b>                            | <b>(8,407)</b>    |
| <b>Total net assets, July 1, as restated</b>     | <b>6,707</b>                | <b>43,149</b>                           | <b>5,758</b>                             | <b>11,866</b>                     | <b>50,019</b>                              | <b>117,499</b>    |
| <b>Total net assets, June 30</b>                 | <b>\$ 7,648</b>             | <b>\$ 49,338</b>                        | <b>\$ 8,220</b>                          | <b>\$ 20,481</b>                  | <b>\$ 23,405</b>                           | <b>\$ 109,092</b> |

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                                                      | <b>Institutional<br/>Industries</b> | <b>Administrative<br/>Services<br/>Revolving</b> | <b>State Police<br/>Health<br/>Insurance<br/>Fund</b> | <b>State<br/>Employee<br/>Disability Fund</b> | <b>State<br/>Employee<br/>Health<br/>Insurance Fund</b> | <b>Total</b>      |
|----------------------------------------------------------------------|-------------------------------------|--------------------------------------------------|-------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------|-------------------|
| <b>Cash flows from operating activities:</b>                         |                                     |                                                  |                                                       |                                               |                                                         |                   |
| Cash received from customers                                         | \$ 37,803                           | \$ 121,441                                       | \$ 29,620                                             | \$ 33,482                                     | \$ 301,938                                              | \$ 524,284        |
| Cash paid for general and administrative                             | (14,546)                            | (105,722)                                        | (1,349)                                               | (1,202)                                       | (15,587)                                                | (138,406)         |
| Cash paid for salary/health/disability benefit payments              | -                                   | -                                                | (25,723)                                              | (23,840)                                      | (291,414)                                               | (340,977)         |
| Cash paid to suppliers                                               | (25,329)                            | (2,395)                                          | -                                                     | -                                             | -                                                       | (27,724)          |
| Net cash provided (used) by operating activities                     | (2,072)                             | 13,324                                           | 2,548                                                 | 8,440                                         | (5,063)                                                 | 17,177            |
| <b>Cash flows from noncapital financing activities:</b>              |                                     |                                                  |                                                       |                                               |                                                         |                   |
| Transfers in                                                         | 14,130                              | 75                                               | -                                                     | -                                             | -                                                       | 14,205            |
| Transfers out                                                        | (10,083)                            | -                                                | -                                                     | -                                             | (12,647)                                                | (22,730)          |
| Other                                                                | (1,056)                             | -                                                | -                                                     | 293                                           | (6,874)                                                 | (7,637)           |
| Net cash provided (used) by noncapital financing activities          | 2,991                               | 75                                               | -                                                     | 293                                           | (19,521)                                                | (16,162)          |
| <b>Cash flows from capital and related financing activities:</b>     |                                     |                                                  |                                                       |                                               |                                                         |                   |
| Acquisition/construction of capital assets                           | (322)                               | (9,069)                                          | -                                                     | -                                             | -                                                       | (9,391)           |
| Proceeds from sale of assets                                         | -                                   | 84                                               | -                                                     | -                                             | -                                                       | 84                |
| Principal payments -- capital leases                                 | (155)                               | (104)                                            | -                                                     | -                                             | -                                                       | (259)             |
| Interest paid                                                        | (700)                               | (21)                                             | -                                                     | -                                             | -                                                       | (721)             |
| Net cash provided (used) by capital and related financing activities | (1,177)                             | (9,110)                                          | -                                                     | -                                             | -                                                       | (10,287)          |
| <b>Cash flows from investing activities:</b>                         |                                     |                                                  |                                                       |                                               |                                                         |                   |
| Interest income (expense) on investments                             | 1                                   | -                                                | -                                                     | -                                             | -                                                       | 1                 |
| Net cash provided (used) by investing activities                     | 1                                   | -                                                | -                                                     | -                                             | -                                                       | 1                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | (257)                               | 4,289                                            | 2,548                                                 | 8,733                                         | (24,584)                                                | (9,271)           |
| <b>Cash and cash equivalents, July 1</b>                             | 2,073                               | 24,312                                           | 7,494                                                 | 14,700                                        | 79,660                                                  | 128,239           |
| <b>Cash and cash equivalents, June 30</b>                            | <u>\$ 1,816</u>                     | <u>\$ 28,601</u>                                 | <u>\$ 10,042</u>                                      | <u>\$ 23,433</u>                              | <u>\$ 55,076</u>                                        | <u>\$ 118,968</u> |
| <b>Reconciliation of cash , cash equivalents and investments:</b>    |                                     |                                                  |                                                       |                                               |                                                         |                   |
| Cash and cash equivalents unrestricted at end of year                | \$ 1,816                            | \$ 28,601                                        | \$ 10,042                                             | \$ 23,433                                     | \$ 55,076                                               | \$ 118,968        |
| <b>Cash, cash equivalents and investments per balance sheet</b>      | <u>\$ 1,816</u>                     | <u>\$ 28,601</u>                                 | <u>\$ 10,042</u>                                      | <u>\$ 23,433</u>                              | <u>\$ 55,076</u>                                        | <u>\$ 118,968</u> |

**State of Indiana**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                                                                          | <b>Institutional<br/>Industries</b> | <b>Administrative<br/>Services<br/>Revolving</b> | <b>State Police<br/>Health Insurance<br/>Fund</b> | <b>State Employee<br/>Disability Fund</b> | <b>State Employee<br/>Health Insurance<br/>Fund</b> | <b>Total</b>     |
|----------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------|---------------------------------------------------|-------------------------------------------|-----------------------------------------------------|------------------|
| <b>Reconciliation of operating income to net cash provided<br/>(used) by operating activities:</b>       |                                     |                                                  |                                                   |                                           |                                                     |                  |
| Operating income (loss)                                                                                  | \$ (1,624)                          | \$ 8,427                                         | \$ 2,462                                          | \$ 8,322                                  | \$ (7,093)                                          | \$ 10,494        |
| Adjustments to reconcile operating income (loss) to net cash<br>provided (used) by operating activities: |                                     |                                                  |                                                   |                                           |                                                     |                  |
| Depreciation/amortization expense                                                                        | 989                                 | 6,616                                            | -                                                 | -                                         | -                                                   | 7,605            |
| (Increase) decrease in receivables                                                                       | 220                                 | 261                                              | (68)                                              | 198                                       | 58                                                  | 669              |
| (Increase) decrease in interfund services provided                                                       | 1,667                               | (875)                                            | -                                                 | -                                         | -                                                   | 792              |
| (Increase) decrease in inventory                                                                         | 1,051                               | (285)                                            | -                                                 | -                                         | -                                                   | 766              |
| (Increase) decrease in prepaid expenses                                                                  | -                                   | (901)                                            | -                                                 | -                                         | -                                                   | (901)            |
| Increase (decrease) in health and disability benefits payable                                            | -                                   | -                                                | 154                                               | (145)                                     | 1,983                                               | 1,992            |
| Increase (decrease) in accounts payable                                                                  | (4,360)                             | 326                                              | -                                                 | 65                                        | (11)                                                | (3,980)          |
| Increase (decrease) in deferred revenue                                                                  | (1)                                 | (494)                                            | -                                                 | -                                         | -                                                   | (495)            |
| Increase (decrease) in salaries payable                                                                  | 7                                   | 53                                               | -                                                 | -                                         | -                                                   | 60               |
| Increase (decrease) in compensated absences                                                              | (18)                                | 196                                              | -                                                 | -                                         | -                                                   | 178              |
| Increase (decrease) in other payables                                                                    | (3)                                 | -                                                | -                                                 | -                                         | -                                                   | (3)              |
| Net cash provided (used) by operating activities                                                         | <u>\$ (2,072)</u>                   | <u>\$ 13,324</u>                                 | <u>\$ 2,548</u>                                   | <u>\$ 8,440</u>                           | <u>\$ (5,063)</u>                                   | <u>\$ 17,177</u> |

## FIDUCIARY FUNDS

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others.

### PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other post-employment benefit plans.

**The Public Employees' Retirement Fund** – This fund is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees.

**The State Teachers' Retirement Fund** – This fund is a defined benefit, multiple-employer cost-sharing public employee retirement system, administered by the Indiana State Teachers' Retirement Fund Board of Trustees.

**State Police Pension Fund** - This fund is used to account for assets held for a defined benefit, single-employer public employee retirement system administered by the Indiana State Police.

**Retiree Health Benefit Trust Fund** - This fund is used to account for assets held for a defined contribution, single-employer OPEB plan administered by the State Budget Agency.

### PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose trust funds are used to account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments.

**Abandoned Property Fund** - This fund is used to administer abandoned property of individuals, private organizations and other governments held by the State.

**Private-Purpose Trust Fund** - This fund is used to account for a group of fund centers under which principal and interest benefit individuals, private organizations, or other governments.

## FIDUCIARY FUNDS

### AGENCY FUNDS

Agency funds account for resources that are custodial in nature. They generally are amounts held by the State of Indiana on behalf of third parties.

**Employee Payroll, Withholding and Benefits Funds** - These funds are used for the disposition of various payroll-related deductions and contributions such as social security and insurance contributions.

**Local Distributions Fund** - This fund is composed of accounts used to distribute revenue collections to local units of government based upon statutory formulas.

**Child Support Fund** - This fund is used for the collection and distribution of child support payments.

**Department of Insurance Fund** - This fund includes security deposits of insurance companies, health maintenance organizations and third party administrators as required.

**Other Agency Funds** – This category comprises various escrows, revenue collection, and agency accounts for which the State acts in an agent capacity until proper disposition of the assets can be made.

**State of Indiana**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2009**

(amounts expressed in thousands)

|                                         | Primary Government           |                                                           | Discrete Component Units                     |                                    |                      |
|-----------------------------------------|------------------------------|-----------------------------------------------------------|----------------------------------------------|------------------------------------|----------------------|
|                                         | State Police<br>Pension Fund | State Employee<br>Retiree Health<br>Benefit Trust<br>Fund | Public<br>Employees'<br>Retirement<br>System | State Teachers'<br>Retirement Fund | Total                |
| <b>Assets:</b>                          |                              |                                                           |                                              |                                    |                      |
| Cash and cash equivalents               | \$ 14,215                    | \$ 44,862                                                 | \$ 1,197,416                                 | \$ 555,156                         | \$ 1,811,649         |
| Securities lending collateral           | -                            | -                                                         | 2,367,249                                    | 152,142                            | 2,519,391            |
| Receivables:                            |                              |                                                           |                                              |                                    |                      |
| Contributions                           | 339                          | -                                                         | 139,942                                      | 66,241                             | 206,522              |
| Interest                                | 1,118                        | -                                                         | 45,396                                       | 34,167                             | 80,681               |
| Member loans                            | 1,175                        | -                                                         | 773                                          | -                                  | 1,948                |
| Due from other funds                    | -                            | -                                                         | 19,662                                       | -                                  | 19,662               |
| Due from component unit                 | -                            | -                                                         | 1,633                                        | 618                                | 2,251                |
| From investment sales                   | 6,458                        | -                                                         | 1,176,336                                    | 153,867                            | 1,336,661            |
| Other                                   | -                            | -                                                         | 682                                          | -                                  | 682                  |
| Total receivables                       | 9,090                        | -                                                         | 1,384,424                                    | 254,893                            | 1,648,407            |
| Prepaid expenses                        | -                            | -                                                         | 29                                           | -                                  | 29                   |
| Investments at fair value:              |                              |                                                           |                                              |                                    |                      |
| Equity Securities                       | 58,964                       | -                                                         | 4,251,248                                    | 2,790,428                          | 7,100,640            |
| Debt Securities                         | 103,913                      | 76,885                                                    | 3,788,890                                    | 3,329,169                          | 7,298,857            |
| Mutual Funds and Collective Trust Funds | 115,583                      | -                                                         | 2,196,523                                    | -                                  | 2,312,106            |
| Other                                   | 175                          | -                                                         | 1,360,449                                    | 534,503                            | 1,895,127            |
| Total investments                       | 278,635                      | 76,885                                                    | 11,597,110                                   | 6,654,100                          | 18,606,730           |
| Capital assets:                         |                              |                                                           |                                              |                                    |                      |
| Property, plant and equipment           | -                            | -                                                         | 7,069                                        | 1,428                              | 8,497                |
| less accumulated depreciation           | -                            | -                                                         | (763)                                        | (187)                              | (950)                |
| <b>Total assets</b>                     | <b>\$ 301,940</b>            | <b>\$ 121,747</b>                                         | <b>\$ 16,552,534</b>                         | <b>\$ 7,617,532</b>                | <b>\$ 24,593,753</b> |
| <b>Liabilities and fund balances:</b>   |                              |                                                           |                                              |                                    |                      |
| <b>Liabilities:</b>                     |                              |                                                           |                                              |                                    |                      |
| Accounts payable                        | \$ -                         | \$ -                                                      | \$ 15,978                                    | \$ 6,418                           | \$ 22,396            |
| Salaries and benefits payable           | -                            | -                                                         | 771                                          | 167                                | 938                  |
| Due to other funds                      | -                            | -                                                         | 19,662                                       | -                                  | 19,662               |
| Benefits payable                        | -                            | 170                                                       | -                                            | 67,441                             | 67,611               |
| Due to component unit                   | -                            | -                                                         | 618                                          | 1,633                              | 2,251                |
| Deferred revenue                        | 52                           | -                                                         | 40,000                                       | -                                  | 40,052               |
| Compensated absences                    | -                            | -                                                         | 243                                          | 130                                | 373                  |
| Securities purchased payable            | 5,540                        | -                                                         | 1,685,480                                    | 190,463                            | 1,881,483            |
| Securities lending collateral           | -                            | -                                                         | 2,367,249                                    | 152,142                            | 2,519,391            |
| <b>Total liabilities</b>                | <b>5,592</b>                 | <b>170</b>                                                | <b>4,130,001</b>                             | <b>418,394</b>                     | <b>4,554,157</b>     |
| <b>Net assets:</b>                      |                              |                                                           |                                              |                                    |                      |
| Held in trust for:                      |                              |                                                           |                                              |                                    |                      |
| Employees' pension benefits             | 296,348                      | -                                                         | 12,307,684                                   | 7,199,138                          | 19,803,170           |
| OPEB benefits                           | -                            | 121,577                                                   | -                                            | -                                  | 121,577              |
| Future death benefits                   | -                            | -                                                         | 9,408                                        | -                                  | 9,408                |
| State and local units                   | -                            | -                                                         | 105,441                                      | -                                  | 105,441              |
| <b>Total net assets</b>                 | <b>\$ 296,348</b>            | <b>\$ 121,577</b>                                         | <b>\$ 12,422,533</b>                         | <b>\$ 7,199,138</b>                | <b>\$ 20,039,596</b> |

**State of Indiana**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                                                        | Primary Government           |                                                           | Discrete Component Units                     |                                          |                      |
|----------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------|----------------------------------------------|------------------------------------------|----------------------|
|                                                                                        | State Police<br>Pension Fund | State Employee<br>Retiree Health<br>Benefit Trust<br>Fund | Public<br>Employees'<br>Retirement<br>System | State<br>Teachers'<br>Retirement<br>Fund | Total                |
| <b>Additions:</b>                                                                      |                              |                                                           |                                              |                                          |                      |
| Member contributions                                                                   | \$ 4,037                     | \$ -                                                      | \$ 204,391                                   | \$ 128,568                               | \$ 336,996           |
| Employer contributions                                                                 | 13,429                       | 68,725                                                    | 479,578                                      | 819,187                                  | 1,380,919            |
| Contributions from the State of Indiana                                                | -                            | -                                                         | 110,072                                      | 30,000                                   | 140,072              |
| Net investment income (loss)                                                           | (54,225)                     | 724                                                       | (3,176,353)                                  | (1,349,105)                              | (4,578,959)          |
| Less investment expense                                                                | (894)                        | -                                                         | (80,477)                                     | (41,043)                                 | (122,414)            |
| Transfers from other retirement funds                                                  | -                            | -                                                         | 3,402                                        | 4,260                                    | 7,662                |
| Other                                                                                  | -                            | -                                                         | 166                                          | -                                        | 166                  |
| <b>Total additions</b>                                                                 | <b>(37,653)</b>              | <b>69,449</b>                                             | <b>(2,459,221)</b>                           | <b>(408,133)</b>                         | <b>(2,835,558)</b>   |
| <b>Deductions:</b>                                                                     |                              |                                                           |                                              |                                          |                      |
| Pension and disability benefits                                                        | 26,214                       | -                                                         | 611,277                                      | 934,296                                  | 1,571,787            |
| Retiree health benefits                                                                | -                            | 3,373                                                     | -                                            | -                                        | 3,373                |
| Death benefits                                                                         | -                            | -                                                         | 806                                          | -                                        | 806                  |
| Refunds of contributions and interest                                                  | -                            | -                                                         | 40,742                                       | 9,613                                    | 50,355               |
| Administrative                                                                         | 234                          | 124                                                       | 26,064                                       | 8,070                                    | 34,492               |
| Pension relief distributions                                                           | -                            | -                                                         | 167,279                                      | -                                        | 167,279              |
| Capital projects                                                                       | -                            | -                                                         | -                                            | 2,183                                    | 2,183                |
| Depreciation                                                                           | -                            | -                                                         | -                                            | 1                                        | 1                    |
| Transfers to other retirement funds                                                    | -                            | -                                                         | 5,137                                        | 2,525                                    | 7,662                |
| Other                                                                                  | -                            | -                                                         | 4,020                                        | -                                        | 4,020                |
| <b>Total deductions</b>                                                                | <b>26,448</b>                | <b>3,497</b>                                              | <b>855,325</b>                               | <b>956,688</b>                           | <b>1,841,958</b>     |
| <b>Net increase (decrease) in net assets</b>                                           | <b>(64,101)</b>              | <b>65,952</b>                                             | <b>(3,314,546)</b>                           | <b>(1,364,821)</b>                       | <b>(4,677,516)</b>   |
| Net assets held in trust for pension and other employee benefits, July 1, as restated: |                              |                                                           |                                              |                                          |                      |
| Pension benefits                                                                       | 360,449                      | -                                                         | 15,555,953                                   | 8,563,959                                | 24,480,361           |
| OPEB benefits                                                                          | -                            | 55,625                                                    | -                                            | -                                        | 55,625               |
| Future death benefits                                                                  | -                            | -                                                         | 8,710                                        | -                                        | 8,710                |
| State and local units                                                                  | -                            | -                                                         | 172,416                                      | -                                        | 172,416              |
| <b>Net assets held in trust for pension and other employee benefits, June 30</b>       | <b>\$ 296,348</b>            | <b>\$ 121,577</b>                                         | <b>\$ 12,422,533</b>                         | <b>\$ 7,199,138</b>                      | <b>\$ 20,039,596</b> |



# State of Indiana

## Combining Statement of Net Assets

### Private-Purpose Trust Funds

### June 30, 2009

(amounts expressed in thousands)

|                                        | Abandoned<br>Property Fund | Private-<br>Purpose Trust<br>Fund | Total            |
|----------------------------------------|----------------------------|-----------------------------------|------------------|
| <b>Assets:</b>                         |                            |                                   |                  |
| Cash, cash equivalents and investments | \$ 22,034                  | \$ 10,149                         | \$ 32,183        |
| Securities lending collateral          | -                          | 8,500                             | 8,500            |
| Receivables:                           |                            |                                   |                  |
| Securities lending                     | -                          | 24                                | 24               |
| Interest                               | 2                          | 11                                | 13               |
| <b>Total assets</b>                    | <b>22,036</b>              | <b>18,684</b>                     | <b>40,720</b>    |
| <b>Liabilities:</b>                    |                            |                                   |                  |
| Accounts payable                       | 3,615                      | 393                               | 4,008            |
| Securities lending payable             | -                          | 24                                | 24               |
| Securities lending collateral          | -                          | 8,500                             | 8,500            |
| <b>Total liabilities</b>               | <b>3,615</b>               | <b>8,917</b>                      | <b>12,532</b>    |
| <b>Net assets:</b>                     |                            |                                   |                  |
| Held in trust for trust beneficiaries  | 18,421                     | 9,767                             | 28,188           |
| <b>Total net assets</b>                | <b>\$ 18,421</b>           | <b>\$ 9,767</b>                   | <b>\$ 28,188</b> |

# State of Indiana

## Combining Statement of Changes in Net Assets

### Private-Purpose Trust Funds

### For the Year Ended June 30, 2009

(amounts expressed in thousands)

|                                          | <b>Abandoned<br/>Property Fund</b> | <b>Private-<br/>Purpose Trust<br/>Fund</b> | <b>Total</b>     |
|------------------------------------------|------------------------------------|--------------------------------------------|------------------|
| <b>Additions:</b>                        |                                    |                                            |                  |
| Investment Income                        | \$ 214                             | \$ 62                                      | \$ 276           |
| Member contributions                     | -                                  | 82,852                                     | 82,852           |
| Grants                                   | 4                                  | -                                          | 4                |
| Donations/escheats                       | 68,660                             | 3,958                                      | 72,618           |
| Total additions                          | 68,878                             | 86,872                                     | 155,750          |
| <b>Deductions:</b>                       |                                    |                                            |                  |
| Payments to participants/beneficiaries   | 71,797                             | 93,853                                     | 165,650          |
| Total deductions                         | 71,797                             | 93,853                                     | 165,650          |
| Net increase (decrease) in net assets    | (2,919)                            | (6,981)                                    | (9,900)          |
| <b>Net assets held in trust, July 1</b>  | 21,340                             | 16,748                                     | 38,088           |
| <b>Net assets held in trust, June 30</b> | <b>\$ 18,421</b>                   | <b>\$ 9,767</b>                            | <b>\$ 28,188</b> |

**State of Indiana**  
**Combining Statement of Net Assets**  
**Agency Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                        | Employee<br>Payroll,<br>Withholding and<br>Benefits | Local<br>Distributions | Child<br>Support | Department<br>of Insurance | Other<br>Agency<br>Funds | Total             |
|----------------------------------------|-----------------------------------------------------|------------------------|------------------|----------------------------|--------------------------|-------------------|
| <b>Assets:</b>                         |                                                     |                        |                  |                            |                          |                   |
| Cash, cash equivalents and investments | \$ 4,588                                            | \$ 270,110             | \$ 24,459        | \$ 270,856                 | \$ 25,763                | \$ 595,776        |
| Receivables:                           |                                                     |                        |                  |                            |                          |                   |
| Taxes                                  | -                                                   | -                      | -                | -                          | 13,582                   | 13,582            |
| Securities lending                     | -                                                   | 194                    | -                | -                          | -                        | 194               |
| Other                                  | -                                                   | -                      | -                | -                          | 57                       | 57                |
| Securities lending collateral          | -                                                   | 45,500                 | -                | -                          | -                        | 45,500            |
| <b>Total assets</b>                    | <b>\$ 4,588</b>                                     | <b>\$ 315,804</b>      | <b>\$ 24,459</b> | <b>\$ 270,856</b>          | <b>\$ 39,402</b>         | <b>\$ 655,109</b> |
| <b>Liabilities:</b>                    |                                                     |                        |                  |                            |                          |                   |
| Accounts/escrows payable               | \$ 4,588                                            | \$ 270,110             | \$ 24,459        | \$ 270,856                 | \$ 25,820                | \$ 595,833        |
| Securities lending payable             | -                                                   | 194                    | -                | -                          | -                        | 194               |
| Securities lending collateral          | -                                                   | 45,500                 | -                | -                          | -                        | 45,500            |
| Other liabilities                      | -                                                   | -                      | -                | -                          | 13,582                   | 13,582            |
| <b>Total liabilities</b>               | <b>\$ 4,588</b>                                     | <b>\$ 315,804</b>      | <b>\$ 24,459</b> | <b>\$ 270,856</b>          | <b>\$ 39,402</b>         | <b>\$ 655,109</b> |

**State of Indiana**  
**Combining Statement of Changes In Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                                   | Balance, July 1   | Additions           | Deductions          | Balance, June 30  |
|---------------------------------------------------|-------------------|---------------------|---------------------|-------------------|
| <b>Employee Payroll, Withholding and Benefits</b> |                   |                     |                     |                   |
| Assets:                                           |                   |                     |                     |                   |
| Cash, cash equivalents, and investments           | \$ 5,161          | \$ 2,175,377        | \$ 2,175,950        | \$ 4,588          |
| Other assets                                      | 60,547            | -                   | 60,547              | -                 |
| Total assets                                      | <u>\$ 65,708</u>  | <u>\$ 2,175,377</u> | <u>\$ 2,236,497</u> | <u>\$ 4,588</u>   |
| Liabilities:                                      |                   |                     |                     |                   |
| Accounts / escrows payable                        | \$ 17,789         | \$ 2,175,377        | \$ 2,188,578        | \$ 4,588          |
| Other liabilities                                 | 47,919            | -                   | 47,919              | -                 |
| Total liabilities                                 | <u>\$ 65,708</u>  | <u>\$ 2,175,377</u> | <u>\$ 2,236,497</u> | <u>\$ 4,588</u>   |
| <b>Local Distributions</b>                        |                   |                     |                     |                   |
| Assets:                                           |                   |                     |                     |                   |
| Cash, cash equivalents, and investments           | \$ 180,774        | \$ 1,671,950        | \$ 1,582,614        | \$ 270,110        |
| Receivables                                       | 188               | 194                 | 188                 | 194               |
| Securities lending collateral                     | 100,750           | 45,500              | 100,750             | 45,500            |
| Total assets                                      | <u>\$ 281,712</u> | <u>\$ 1,717,644</u> | <u>\$ 1,683,552</u> | <u>\$ 315,804</u> |
| Liabilities:                                      |                   |                     |                     |                   |
| Accounts / escrows payable                        | \$ 180,774        | \$ 1,671,950        | \$ 1,582,614        | \$ 270,110        |
| Securities lending collateral                     | 100,750           | 45,500              | 100,750             | 45,500            |
| Other liabilities                                 | 188               | 194                 | 188                 | 194               |
| Total liabilities                                 | <u>\$ 281,712</u> | <u>\$ 1,717,644</u> | <u>\$ 1,683,552</u> | <u>\$ 315,804</u> |
| <b>Child Support</b>                              |                   |                     |                     |                   |
| Assets:                                           |                   |                     |                     |                   |
| Cash, cash equivalents, and investments           | \$ 36,182         | \$ 841,855          | \$ 853,578          | \$ 24,459         |
| Other assets                                      | 75,455            | -                   | 75,455              | -                 |
| Total assets                                      | <u>\$ 111,637</u> | <u>\$ 841,855</u>   | <u>\$ 929,033</u>   | <u>\$ 24,459</u>  |
| Liabilities:                                      |                   |                     |                     |                   |
| Accounts / escrows payable                        | \$ 111,637        | \$ 841,855          | \$ 929,033          | \$ 24,459         |
| Total liabilities                                 | <u>\$ 111,637</u> | <u>\$ 841,855</u>   | <u>\$ 929,033</u>   | <u>\$ 24,459</u>  |

continued on next page

**State of Indiana**  
**Combining Statement of Changes In Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2009**

(amounts expressed in thousands)

|                                         | Balance, July 1 | Additions    | Deductions   | Balance, June 30 |
|-----------------------------------------|-----------------|--------------|--------------|------------------|
| <b>Department of Insurance</b>          |                 |              |              |                  |
| Assets:                                 |                 |              |              |                  |
| Cash, cash equivalents, and investments | \$ 266,577      | \$ 32,746    | \$ 28,467    | \$ 270,856       |
| Total assets                            | \$ 266,577      | \$ 32,746    | \$ 28,467    | \$ 270,856       |
| Liabilities:                            |                 |              |              |                  |
| Accounts / escrows payable              | \$ 266,577      | \$ 32,746    | \$ 28,467    | \$ 270,856       |
| Total liabilities                       | \$ 266,577      | \$ 32,746    | \$ 28,467    | \$ 270,856       |
| <b>Other Agency Funds</b>               |                 |              |              |                  |
| Assets:                                 |                 |              |              |                  |
| Cash, cash equivalents, and investments | \$ 28,853       | \$ 652,407   | \$ 655,497   | \$ 25,763        |
| Receivables                             | 16,828          | 13,639       | 16,828       | 13,639           |
| Other assets                            | 16,503          | -            | 16,503       | -                |
| Total assets                            | \$ 62,184       | \$ 666,046   | \$ 688,828   | \$ 39,402        |
| Liabilities:                            |                 |              |              |                  |
| Accounts / escrows payable              | \$ 45,430       | \$ 652,464   | \$ 672,074   | \$ 25,820        |
| Other liabilities                       | 16,754          | 13,582       | 16,754       | 13,582           |
| Total liabilities                       | \$ 62,184       | \$ 666,046   | \$ 688,828   | \$ 39,402        |
| <b>Total Agency Funds</b>               |                 |              |              |                  |
| Assets:                                 |                 |              |              |                  |
| Cash, cash equivalents, and investments | \$ 517,547      | \$ 5,374,335 | \$ 5,296,106 | \$ 595,776       |
| Receivables                             | 17,016          | 13,833       | 17,016       | 13,833           |
| Securities lending collateral           | 100,750         | 45,500       | 100,750      | 45,500           |
| Other assets                            | 152,505         | -            | 152,505      | -                |
| Total assets                            | \$ 787,818      | \$ 5,433,668 | \$ 5,566,377 | \$ 655,109       |
| Liabilities:                            |                 |              |              |                  |
| Accounts / escrows payable              | \$ 622,207      | \$ 5,374,392 | \$ 5,400,766 | \$ 595,833       |
| Securities lending collateral           | 100,750         | 45,500       | 100,750      | 45,500           |
| Other liabilities                       | 64,861          | 13,776       | 64,861       | 13,776           |
| Total liabilities                       | \$ 787,818      | \$ 5,433,668 | \$ 5,566,377 | \$ 655,109       |

## NON-MAJOR DISCRETELY PRESENTED COMPONENT UNITS

### PROPRIETARY FUNDS

Proprietary component units represent funds that are legally separate from the State of Indiana, but provide valuable and beneficial services to the State and its citizens. The non-major discretely presented component units consist of the following proprietary funds:

**White River State Park Development Commission** – The responsibility of this commission is to design and implement a plan for the establishment and development of park, exposition, educational, athletic, and recreational projects to be located within one mile from the banks of the Indiana White River in a consolidated first-class city and county.

**Ports of Indiana** – The responsibility of this commission is to construct, maintain, and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers.

**State Fair Commission** – This commission is responsible for holding the annual Indiana State Fair and for operating and maintaining the State Fairgrounds and other properties it owns.

**Indiana Comprehensive Health Insurance Association** – The responsibility of this Association is to assure that health insurance is made available throughout the year to each eligible Indiana resident applying to the Association for coverage.

**Indiana Political Subdivision Risk Management Commission** – This commission is responsible for administering the Basic and Catastrophic funds that aid political subdivisions in protecting themselves against liabilities.

### COLLEGES AND UNIVERSITIES

College and university funds are used to account for the operations of state-supported colleges and universities. The non-major discretely presented component units consist of the following institutions:

Ball State University  
 Indiana State University  
 Ivy Tech Community College of Indiana  
 University of Southern Indiana  
 Vincennes University

**State of Indiana**  
**Combining Statement of Net Assets**  
**Non-Major Discretely Presented Component Units -**  
**Proprietary Funds**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | White River State Park<br>Development<br>Commission | Ports of Indiana | Indiana State Fair<br>Commission | Indiana<br>Comprehensive Health<br>Insurance Association | Indiana Political<br>Subdivision Risk<br>Management<br>Commission | Totals            |
|-----------------------------------------------------|-----------------------------------------------------|------------------|----------------------------------|----------------------------------------------------------|-------------------------------------------------------------------|-------------------|
| <b>Assets</b>                                       |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Current assets:                                     |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Cash, cash equivalents and investments              | \$ 4,554                                            | \$ 26,286        | \$ 2,796                         | \$ 11,440                                                | \$ 9,032                                                          | \$ 54,108         |
| Receivables (net)                                   | 192                                                 | 1,707            | 715                              | 2,747                                                    | 81                                                                | 5,442             |
| Inventory                                           | 11                                                  | -                | -                                | -                                                        | -                                                                 | 11                |
| Prepaid expenses                                    | 134                                                 | 281              | -                                | -                                                        | -                                                                 | 415               |
| Investment in direct financing lease                | -                                                   | 143              | -                                | -                                                        | -                                                                 | 143               |
| <b>Total current assets</b>                         | <b>4,891</b>                                        | <b>28,417</b>    | <b>3,511</b>                     | <b>14,187</b>                                            | <b>9,113</b>                                                      | <b>60,119</b>     |
| Noncurrent assets:                                  |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Cash, cash equivalents and investments - restricted | 125                                                 | -                | 7,256                            | -                                                        | -                                                                 | 7,381             |
| Bond issuance costs net of amortization             | -                                                   | -                | 501                              | -                                                        | -                                                                 | 501               |
| Investment in direct financing lease                | -                                                   | 682              | -                                | -                                                        | -                                                                 | 682               |
| Net pension assets                                  | -                                                   | -                | 89                               | -                                                        | -                                                                 | 89                |
| Capital assets:                                     |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Land                                                | 79,781                                              | 50,880           | 14,517                           | -                                                        | -                                                                 | 145,178           |
| Infrastructure                                      | -                                                   | 52,444           | -                                | -                                                        | -                                                                 | 52,444            |
| Construction in progress                            | -                                                   | 644              | 690                              | -                                                        | -                                                                 | 1,334             |
| Property, plant, and equipment                      | 42,162                                              | 19,495           | 73,647                           | -                                                        | -                                                                 | 135,304           |
| Less accumulated depreciation                       | (13,463)                                            | (51,793)         | (42,274)                         | -                                                        | -                                                                 | (107,530)         |
| <b>Total capital assets, net of depreciation</b>    | <b>108,480</b>                                      | <b>71,670</b>    | <b>46,580</b>                    | <b>-</b>                                                 | <b>-</b>                                                          | <b>226,730</b>    |
| <b>Total noncurrent assets</b>                      | <b>108,605</b>                                      | <b>72,352</b>    | <b>54,426</b>                    | <b>-</b>                                                 | <b>-</b>                                                          | <b>235,383</b>    |
| <b>Total assets</b>                                 | <b>113,496</b>                                      | <b>100,769</b>   | <b>57,937</b>                    | <b>14,187</b>                                            | <b>9,113</b>                                                      | <b>295,502</b>    |
| <b>Liabilities</b>                                  |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Current liabilities:                                |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Accounts payable                                    | 267                                                 | 642              | 342                              | 681                                                      | 25                                                                | 1,957             |
| Claims payable                                      | -                                                   | -                | -                                | 13,664                                                   | -                                                                 | 13,664            |
| Interest payable                                    | -                                                   | -                | 326                              | -                                                        | -                                                                 | 326               |
| Current portion of long-term debt                   | -                                                   | -                | 1,510                            | -                                                        | -                                                                 | 1,510             |
| Salaries, health, disability, and benefits payable  | 102                                                 | -                | 177                              | -                                                        | -                                                                 | 279               |
| Deferred revenue                                    | -                                                   | 25               | 210                              | 7,728                                                    | -                                                                 | 7,963             |
| Accrued liability for compensated absences          | -                                                   | -                | 203                              | -                                                        | -                                                                 | 203               |
| Other current liabilities                           | -                                                   | 368              | 6                                | 650                                                      | -                                                                 | 1,024             |
| <b>Total current liabilities</b>                    | <b>369</b>                                          | <b>1,035</b>     | <b>2,774</b>                     | <b>22,723</b>                                            | <b>25</b>                                                         | <b>26,926</b>     |
| Long-term liabilities:                              |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Accrued liability for compensated absences          | -                                                   | -                | 243                              | -                                                        | -                                                                 | 243               |
| Deferred revenue                                    | -                                                   | 5,000            | -                                | -                                                        | -                                                                 | 5,000             |
| Revenue bonds/notes payable                         | -                                                   | -                | 14,349                           | -                                                        | -                                                                 | 14,349            |
| <b>Total long-term liabilities</b>                  | <b>-</b>                                            | <b>5,000</b>     | <b>14,592</b>                    | <b>-</b>                                                 | <b>-</b>                                                          | <b>19,592</b>     |
| <b>Total liabilities</b>                            | <b>369</b>                                          | <b>6,035</b>     | <b>17,366</b>                    | <b>22,723</b>                                            | <b>25</b>                                                         | <b>46,518</b>     |
| <b>Net assets</b>                                   |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Invested in capital assets net of related debt      | 108,480                                             | 71,669           | 30,675                           | -                                                        | -                                                                 | 210,824           |
| Restricted-nonexpendable                            |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Grants/constitutional restrictions                  | -                                                   | -                | -                                | 551                                                      | -                                                                 | 551               |
| Total restricted-nonexpendable                      | -                                                   | -                | -                                | 551                                                      | -                                                                 | 551               |
| Restricted-expendable                               |                                                     |                  |                                  |                                                          |                                                                   |                   |
| Future debt service                                 | -                                                   | -                | 4,384                            | -                                                        | -                                                                 | 4,384             |
| Pension fund distribution                           | -                                                   | -                | -                                | -                                                        | -                                                                 | -                 |
| Auxiliary enterprises                               | -                                                   | -                | 71                               | -                                                        | -                                                                 | 71                |
| Capital projects                                    | 1,371                                               | -                | 1,800                            | -                                                        | -                                                                 | 3,171             |
| Other purposes                                      | -                                                   | -                | 1,090                            | -                                                        | 597                                                               | 1,687             |
| Total restricted-expendable                         | 1,371                                               | -                | 7,345                            | -                                                        | 597                                                               | 9,313             |
| Unrestricted (deficit)                              | 3,276                                               | 23,065           | 2,551                            | (9,087)                                                  | 8,491                                                             | 28,296            |
| <b>Total net assets</b>                             | <b>\$ 113,127</b>                                   | <b>\$ 94,734</b> | <b>\$ 40,571</b>                 | <b>\$ (8,536)</b>                                        | <b>\$ 9,088</b>                                                   | <b>\$ 248,984</b> |

State of Indiana  
Combining Statement of Activities  
Non-Major Discretely Presented Component Units -  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2009  
(amounts expressed in thousands)

|                                                          | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                                               |                  |                               |                                                    |                                                          |            |
|----------------------------------------------------------|------------------|----------------------|------------------------------------|-------------------------------------------------|-----------------------------------------------|------------------|-------------------------------|----------------------------------------------------|----------------------------------------------------------|------------|
|                                                          | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | White River State Park Development Commission | Ports of Indiana | Indiana State Fair Commission | Indiana Comprehensive Health Insurance Association | Indiana Political Subdivision Risk Management Commission | Total      |
| White River State Park Development Commission            | \$ 4,643         | \$ 2,713             | \$ 466                             | \$ -                                            | \$ (1,464)                                    | \$ -             | \$ -                          | \$ -                                               | \$ -                                                     | (1,464)    |
| Ports of Indiana                                         | 6,931            | 8,096                | -                                  | -                                               | -                                             | 1,165            | -                             | -                                                  | -                                                        | 1,165      |
| Indiana State Fair Commission                            | 25,053           | 16,304               | 3                                  | 330                                             | -                                             | -                | (8,416)                       | -                                                  | -                                                        | (8,416)    |
| Indiana Comprehensive Health Insurance Association       | 101,373          | 92,586               | 1,658                              | -                                               | -                                             | -                | -                             | (7,129)                                            | -                                                        | (7,129)    |
| Indiana Political Subdivision Risk Management Commission | 126              | 64                   | -                                  | -                                               | -                                             | -                | -                             | -                                                  | (62)                                                     | (62)       |
| Total component units                                    | \$ 138,126       | \$ 119,763           | \$ 2,127                           | \$ 330                                          | \$ (1,464)                                    | 1,165            | (8,416)                       | (7,129)                                            | (62)                                                     | (15,906)   |
| General revenues:                                        |                  |                      |                                    |                                                 |                                               |                  |                               |                                                    |                                                          |            |
| Investment earnings                                      |                  |                      |                                    |                                                 | 49                                            | 575              | 181                           | 354                                                | 240                                                      | 1,399      |
| Payments from State of Indiana                           |                  |                      |                                    |                                                 | 996                                           | -                | 8,930                         | -                                                  | -                                                        | 9,926      |
| Other                                                    |                  |                      |                                    |                                                 | -                                             | 1,280            | -                             | -                                                  | -                                                        | 1,280      |
| Total general revenues                                   |                  |                      |                                    |                                                 | 1,045                                         | 1,855            | 9,111                         | 354                                                | 240                                                      | 12,605     |
| Change in net assets                                     |                  |                      |                                    |                                                 | (419)                                         | 3,020            | 695                           | (6,775)                                            | 178                                                      | (3,301)    |
| Net assets - beginning, as restated                      |                  |                      |                                    |                                                 | 113,546                                       | 91,714           | 39,876                        | (1,761)                                            | 8,910                                                    | 252,285    |
| Net assets - ending                                      |                  |                      |                                    |                                                 | \$ 113,127                                    | \$ 94,734        | \$ 40,571                     | \$ (8,536)                                         | \$ 9,088                                                 | \$ 248,984 |



**State of Indiana**  
**Combining Statement of Net Assets**  
**Non-Major Discretely Presented Component Units -**  
**Colleges and Universities**  
**June 30, 2009**  
(amounts expressed in thousands)

|                                                     | Ball State<br>University | Indiana State<br>University | Ivy Tech<br>Community<br>College | University of<br>Southern Indiana | Vincennes<br>University | Totals              |
|-----------------------------------------------------|--------------------------|-----------------------------|----------------------------------|-----------------------------------|-------------------------|---------------------|
| <b>Assets</b>                                       |                          |                             |                                  |                                   |                         |                     |
| Current assets:                                     |                          |                             |                                  |                                   |                         |                     |
| Cash, cash equivalents and investments              | \$ 176,548               | \$ 68,806                   | \$ 68,098                        | \$ 49,137                         | \$ 45,566               | \$ 408,155          |
| Receivables (net)                                   | 54,760                   | 8,983                       | 53,190                           | 7,161                             | 7,527                   | 131,621             |
| Inventory                                           | 1,582                    | 222                         | -                                | 2,144                             | 1,307                   | 5,255               |
| Prepaid expenses                                    | 2,563                    | 657                         | 18,256                           | 4                                 | 150                     | 21,630              |
| Funds held in trust by others                       | 12,063                   | -                           | 22,145                           | 43,811                            | 10                      | 78,029              |
| Other postemployment benefits                       | 7,442                    | -                           | -                                | -                                 | -                       | 7,442               |
| Other current assets                                | -                        | 47                          | -                                | 1,618                             | 634                     | 2,299               |
| Total current assets                                | 254,958                  | 78,715                      | 161,689                          | 103,875                           | 55,194                  | 654,431             |
| Noncurrent assets:                                  |                          |                             |                                  |                                   |                         |                     |
| Cash, cash equivalents and investments - restricted | 895                      | 43,382                      | -                                | 165                               | -                       | 44,442              |
| Other receivables                                   | 11,135                   | 8,012                       | 4,068                            | -                                 | 680                     | 23,895              |
| Investments - unrestricted                          | 275,190                  | 52,470                      | 94,971                           | 79,730                            | 117,345                 | 619,706             |
| Bond issuance costs net of amortization             | 310                      | -                           | -                                | -                                 | -                       | 310                 |
| Other postemployment benefits                       | -                        | 1,137                       | -                                | -                                 | 276                     | 1,413               |
| Other noncurrent assets                             | 5,729                    | 5,724                       | 853                              | 3,829                             | 255                     | 16,390              |
| Capital assets:                                     |                          |                             |                                  |                                   |                         |                     |
| Land                                                | 42,783                   | 26,553                      | 25,526                           | 4,722                             | 14,607                  | 114,191             |
| Infrastructure                                      | 25,429                   | 33,485                      | 12,047                           | 3,649                             | -                       | 74,610              |
| Construction in progress                            | 45,435                   | 62,592                      | 40,823                           | 26,629                            | 2,087                   | 177,566             |
| Property, plant, and equipment                      | 617,083                  | 394,888                     | 502,654                          | 228,806                           | 220,188                 | 1,963,619           |
| Less accumulated depreciation                       | (260,692)                | (228,459)                   | (159,397)                        | (108,411)                         | (88,968)                | (845,927)           |
| Total capital assets, net of depreciation           | 470,038                  | 289,059                     | 421,653                          | 155,395                           | 147,914                 | 1,484,059           |
| Total noncurrent assets                             | 763,297                  | 399,784                     | 521,545                          | 239,119                           | 266,470                 | 2,190,215           |
| <b>Total assets</b>                                 | <b>1,018,255</b>         | <b>478,499</b>              | <b>683,234</b>                   | <b>342,994</b>                    | <b>321,664</b>          | <b>2,844,646</b>    |
| <b>Liabilities</b>                                  |                          |                             |                                  |                                   |                         |                     |
| Current liabilities:                                |                          |                             |                                  |                                   |                         |                     |
| Accounts payable                                    | 42,268                   | 4,482                       | 16,595                           | 1,667                             | 3,143                   | 68,155              |
| Interest payable                                    | -                        | 999                         | -                                | 2,344                             | -                       | 3,343               |
| Current portion of long-term debt                   | 8,106                    | 11,344                      | 14,436                           | 9,477                             | 2,925                   | 46,288              |
| Capital lease payable                               | -                        | -                           | -                                | -                                 | 19                      | 19                  |
| Salaries, health, disability, and benefits payable  | -                        | 3,844                       | -                                | 5,518                             | 5,435                   | 14,797              |
| Deferred revenue                                    | 6,802                    | 1,260                       | 22,002                           | -                                 | 2,304                   | 32,368              |
| Accrued liability for compensated absences          | -                        | -                           | 7,482                            | -                                 | 1,340                   | 8,822               |
| Deposits held in custody for others                 | 8,733                    | 843                         | 6,690                            | -                                 | 466                     | 16,732              |
| Other current liabilities                           | 1,342                    | 6,060                       | -                                | 1,853                             | 11,220                  | 20,475              |
| Total current liabilities                           | 67,251                   | 28,832                      | 67,205                           | 20,859                            | 26,852                  | 210,999             |
| Long-term liabilities:                              |                          |                             |                                  |                                   |                         |                     |
| Accrued liability for compensated absences          | 8,401                    | 1,326                       | 5,226                            | 2,635                             | -                       | 17,588              |
| Other postemployment benefits                       | -                        | -                           | 6,304                            | 458                               | -                       | 6,762               |
| Deferred revenue                                    | 431                      | -                           | -                                | 7                                 | -                       | 438                 |
| Funds held in trust by others                       | -                        | -                           | -                                | -                                 | 15,299                  | 15,299              |
| Advances from federal government                    | -                        | 7,755                       | -                                | -                                 | 1,116                   | 8,871               |
| Revenue bonds/notes payable                         | 184,138                  | 84,534                      | 249,319                          | 150,804                           | 56,549                  | 725,344             |
| Other noncurrent liabilities                        | 16,702                   | 1,146                       | 128                              | 2,289                             | 1,241                   | 21,506              |
| Total long-term liabilities                         | 209,672                  | 94,761                      | 260,977                          | 156,193                           | 74,205                  | 795,808             |
| <b>Total liabilities</b>                            | <b>276,923</b>           | <b>123,593</b>              | <b>328,182</b>                   | <b>177,052</b>                    | <b>101,057</b>          | <b>1,006,807</b>    |
| <b>Net assets</b>                                   |                          |                             |                                  |                                   |                         |                     |
| Invested in capital assets net of related debt      | 290,188                  | 196,059                     | 158,281                          | 33,492                            | 78,269                  | 756,289             |
| Restricted-nonexpendable                            |                          |                             |                                  |                                   |                         |                     |
| Instruction and research                            | 914                      | 690                         | -                                | -                                 | -                       | 1,604               |
| Student aid                                         | -                        | 2,203                       | 17,391                           | -                                 | 15,164                  | 34,758              |
| Other purposes                                      | -                        | -                           | -                                | -                                 | 4,832                   | 4,832               |
| Total restricted-nonexpendable                      | 914                      | 2,893                       | 17,391                           | -                                 | 19,996                  | 41,194              |
| Restricted-expendable                               |                          |                             |                                  |                                   |                         |                     |
| Instruction and research                            | 69,877                   | 8,609                       | 2,332                            | 9,451                             | -                       | 90,269              |
| Grants/constitutional restrictions                  | 7,160                    | 4,425                       | 6,601                            | -                                 | 693                     | 18,879              |
| Endowments                                          | -                        | 36,372                      | 60                               | -                                 | -                       | 36,432              |
| Future debt service                                 | 3,210                    | 5                           | -                                | -                                 | -                       | 3,215               |
| Public safety programs                              | 8,027                    | -                           | -                                | -                                 | -                       | 8,027               |
| Student aid                                         | 62,470                   | -                           | 3,364                            | 29,780                            | 4,010                   | 99,624              |
| Auxiliary enterprises                               | 2,275                    | -                           | -                                | 981                               | -                       | 3,256               |
| Capital projects                                    | 87,895                   | 8,007                       | 31,941                           | 740                               | 5,306                   | 133,889             |
| Other purposes                                      | 7,582                    | 2,818                       | 4,047                            | 5,862                             | 810                     | 21,119              |
| Total restricted-expendable                         | 248,496                  | 60,236                      | 48,345                           | 46,814                            | 10,819                  | 414,710             |
| Unrestricted (deficit)                              | 201,734                  | 95,718                      | 131,035                          | 85,636                            | 111,523                 | 625,646             |
| <b>Total net assets</b>                             | <b>\$ 741,332</b>        | <b>\$ 354,906</b>           | <b>\$ 355,052</b>                | <b>\$ 165,942</b>                 | <b>\$ 220,607</b>       | <b>\$ 1,837,839</b> |

**State of Indiana**  
**Combining Statement of Activities**  
**Non-Major Discretely Presented Component Units -**  
**Colleges and Universities**  
**For the Fiscal Year Ended June 30, 2009**  
(amounts expressed in thousands)

|                                     | Program Revenues |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                       |                          |                        |                                |                      |              |
|-------------------------------------|------------------|----------------------|------------------------------------|-------------------------------------------------|-----------------------|--------------------------|------------------------|--------------------------------|----------------------|--------------|
|                                     | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Ball State University | Indiana State University | Ivy Tech State College | University of Southern Indiana | Vincennes University | Total        |
| Ball State University               | \$ 400,494       | \$ 193,204           | \$ 22,870                          | \$ (2,796)                                      | \$ (187,216)          | \$ -                     | \$ -                   | \$ -                           | \$ -                 | \$ (187,216) |
| Indiana State University            | 200,582          | 74,088               | 14,845                             | 1,567                                           | -                     | (110,082)                | -                      | -                              | -                    | (110,082)    |
| Ivy Tech Community College          | 464,935          | 143,290              | 33,732                             | 3,189                                           | -                     | -                        | (284,724)              | -                              | -                    | (284,724)    |
| University of Southern Indiana      | 127,826          | 64,018               | 16,021                             | 30                                              | -                     | -                        | -                      | (47,757)                       | -                    | (47,757)     |
| Vincennes University                | 110,805          | 42,324               | 17,242                             | -                                               | -                     | -                        | -                      | -                              | (51,239)             | (51,239)     |
| Total component units               | \$ 1,304,642     | \$ 516,924           | \$ 104,710                         | \$ 1,990                                        | (187,216)             | (110,082)                | (284,724)              | (47,757)                       | (51,239)             | (681,018)    |
| General revenues:                   |                  |                      |                                    |                                                 |                       |                          |                        |                                |                      |              |
| Investment earnings                 |                  |                      |                                    |                                                 | (34,239)              | (4,531)                  | 3,998                  | (5,689)                        | 4,051                | (36,410)     |
| Payments from State of Indiana      |                  |                      |                                    |                                                 | 148,857               | 87,156                   | 182,888                | 49,856                         | 43,532               | 512,289      |
| Other                               |                  |                      |                                    |                                                 | 46,896                | 24,680                   | 122,941                | 2,808                          | 16,528               | 213,853      |
| Total general revenues              |                  |                      |                                    |                                                 | 161,514               | 107,305                  | 309,827                | 46,975                         | 64,111               | 689,732      |
| Change in net assets                |                  |                      |                                    |                                                 | (25,702)              | (2,777)                  | 25,103                 | (782)                          | 12,872               | 8,714        |
| Net assets - beginning, as restated |                  |                      |                                    |                                                 | 767,034               | 357,683                  | 329,949                | 166,724                        | 207,735              | 1,829,125    |
| Net assets - ending                 |                  |                      |                                    |                                                 | \$ 741,332            | \$ 354,906               | \$ 355,052             | \$ 165,942                     | \$ 220,607           | \$ 1,837,839 |

